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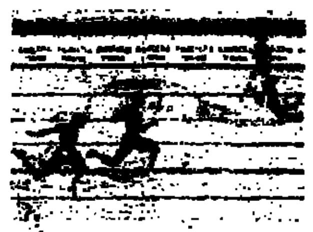

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Drugs: attitudes are softening
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World Business Newspaper http://www.FT.com MONDAY AUGUST 26 1996

Hidden camera snaps trials of Volkswagen cars

German carmaker Volkswagen said a spy camera, triggered by the heat of passing cars, has been snapping prototype Volkswagens at a test site in Germany. The company said a senior detective had been appointed to investigate the clandestine picture taking, thought to be the work of well-organised professional photographers rather than a rival. Page 16

China's reserves top Taiwan's: China expects its foreign exchange reserves to swell to $100bn by the end of this year, ranking it second behind Japan and ahead of Germany and Taiwan among countries with healthy foreign exchange balances. Page 16

Israeli president plans Arafat meeting: Israeli president Ezer Weizman said he would meet Palestinian president Yassir Arafat in an attempt to revive Israeli-Palestinian peace talks. Page 3

Papermakers may reject EU plan: European Union efforts to improve environmental standards for paper making may be boycotted by big EU and US producers. Page 2

O&K to restructure ahead of sale: Loss-making German construction and mining equipment specialist Orenstein & Koppel, which the Krupp conglomerate wants to sell, is planning a DM80m ($54m) restructuring programme to make the company more attractive to potential buyers. Page 17

Estonia prepares to pick president: The Estonian parliament meets today to elect a president for a critical five-year term during which the smallest Baltic country will be pressing for membership of the European Union. Page 2

Bombardier plans 70-seat jet: Canadian aerospace and transport group Bombardier hopes to announce next week at the UK's Farnborough air show that it plans to build a new 70-seat jet. Page 17

$20m boost for Esprit Telecom: US-based venture capital company Warburg Pincus, which has special interests in telecommunications, is investing about $20m in Esprit Telecom, a fast-growing, privately-held European operator. Page 17

Kurds ignore ceasefire call: Fighting continued between two Kurdish factions in northern Iraq despite US calls for a ceasefire to stabilise the region. Page 2

Lloyds Chemists clears way for bids: Lloyds Chemists, the UK high street pharmacy group, cleared the way for a takeover bid from two rival suitors – Gehe and Unichem – by finding buyers for its pharmaceutical wholesaling businesses. Page 17

Japan set to take Indonesia to WTO: Japan is poised to take Indonesia to the World Trade Organisation, claiming tax and tariff breaks in Jakarta's "national car" programme discriminate against Japanese imports. Page 3

IMF to ratify credit for Egypt: The International Monetary Fund is to ratify a 24-month standby credit for Egypt, partly in recognition of the government's successful management of the economy. Page 3

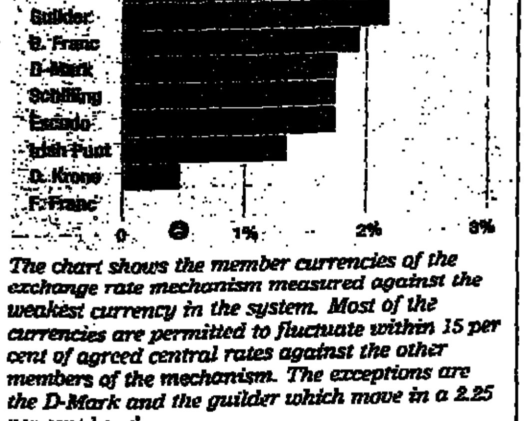
Russian swimmer stabbed: Russian swimmer Alexander Popov, the only man to retain the Olympic 50 metre and 100 metre freestyle titles, was seriously ill in hospital after being stabbed in a Moscow street.

Schumacher wins in Belgium: World champion Michael Schumacher of Germany in a Ferrari won the Belgian grand prix. Jacques Villeneuve of Canada was second in a Williams Renault, cutting British team-mate Damon Hill's championship lead to 13 points.

Cricket: Pakistan declared at 521-8 giving them a first-innings lead of 195 runs against England on the fourth day of the third Test at The Oval. England were 74-0 at the close. Pakistan lead the three-match series 1-0.

European Monetary System: The French franc was unable to move off the bottom of the EMS grid last week, after a round of reciprocal interest rate cuts following the Bundesbank's lead on Thursday. The peseta remained top, after the Spanish central bank did not cut its rates. The Austrian schilling moved above the Portuguese escudo. **Currencies, Page 23**

EMS: Grid August 23, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	Ekr 22	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils650	Portugal (m'land)	Es240	Turkey	L90,000
Germany	DM4.00	Lebanon	LL3,000			UAE	Dh12.00

Chicago radicals of '68 back in suits and ties

Democrats prepare for happier return after 30 years

By Laurie Morse in Chicago and Jurek Martin in Washington

Tom Hayden is back – but he is wearing a tie. The former president of the radical Students for a Democratic Society group returned to Chicago for the National Democratic Convention to hold a "heal-in" last night to commemorate the riots of 1968 – the last time the Democrats visited the city. He sold tickets, through Ticketmaster, for $15 a pop.

When the Democrats were last in town, the entire US political system had been strained by three years of war in Vietnam and frequent outbursts of race-based rioting in the big cities. Young protesters like Tom Hayden took to the streets, bringing the convention to a violent end as they battled with police and National Guardsmen on tear-gas-choked Michigan Avenue.

The chances of anything similar upsetting this year's besuited Democratic delegates, who were gathering last night, are remote. But there are some uncanny parallels.

The 1968 convention was held from August 26-29, precisely this year's dates. On both occasions the mayor of Chicago was a Richard Daley: now it is the eldest son of the last of the great big city bosses.

But today there is no anti-war movement flooding the streets, nor is there much internal Democratic dissent, now that rightwing Republicanism has emerged to help keep the party together. President Bill Clinton and Vice-President Al Gore have been unchallenged in their pursuit of a second term – unusual given traditional Democratic factional rivalries and Mr Clinton's embrace of many policies once deemed "conservative".

That has not deterred Mr Hayden and others from capitalising on nostalgia for the heady days of their youth.

Most of the other members of the Chicago Seven, the activists accused by the government of inciting the 1968 riots, are in town. Bobby Seal and Abbie Hoffman are dead, but former "Yippie" Mr Abe Peck, now a journalism professor at Northwestern University, is giving interviews with National Public Radio. Mr Bobby Rush, former "defence minister" of the Illinois Black Panther party, is throwing a smart cocktail cruise on Lake Michigan, thanks to corporate sponsors such as Ameritech.

Mr Michael James, once on the National Interim Committee of the radical SDS, stayed in Chicago all along, and continues his community outreach work while running the Heartland Café in a polyglot north-

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City hopes to wipe slate of tarnished past, Page 4

Lloyd's plan for recovery wins 75% support

Hopes for insurance market deal after US court setback

By Ralph Atkins in London, Richard Waters in New York and Christopher Parkes in San Diego

Lloyd's of London last night announced that 75 per cent of the insurance market's members had accepted its £3.2bn ($4.9bn) recovery package as it struggled to keep the plan on track after a serious setback in the US courts late on Friday.

The high level of support will encourage hopes that Lloyd's may this week be able to declare the recovery plan unconditional – in spite of a ruling by a court in Richmond, Virginia, that, in effect, put the proposals on ice in the US.

The Virginia ruling caused last-minute alarm at Lloyd's and threatens considerable disruption. If implementation of the recovery plan were delayed, Lloyd's might be unable to pass the UK Department of Trade and Industry's solvency tests, usually set about this time of year.

Even if the DTI was flexible about timing, US regulators might not be as sympathetic – raising questions about the future of the 308-year-old insurance market.

Hardline Names – the individual members whose assets have traditionally supported the insurance market – warned at the weekend that the ruling might encourage further legal challenges against Lloyd's, including by the US Securities and Exchange Commission.

One Names' lawyer described as "hogwash" claims by Mr Ron Sandler, the chief executive, that delaying the plan's implementation could be devastating for Lloyd's. In private, Lloyd's leaders are confident that either the US court ruling will be overturned – an appeal starts tomorrow – or that ways will be found of allowing the plan to proceed.

The ruling by Judge Robert Payne would force Lloyd's to meet the requirements of US securities laws on information disclosure and gives US Names until October 30 to accept or reject the plan.

Lloyd's was last night sticking to its deadline of Wednesday. It would not discuss contingency planning although senior executives spent the weekend discussing possible responses to Friday's ruling.

Lloyd's said that by noon Saturday 75 per cent of its 34,000 Names had accepted. Among UK Names, the level of acceptances is believed to have exceeded 80 per cent. But the US figure is likely to have been much lower. Recent polling by Lloyd's suggested only about 50 per cent of the 3,000

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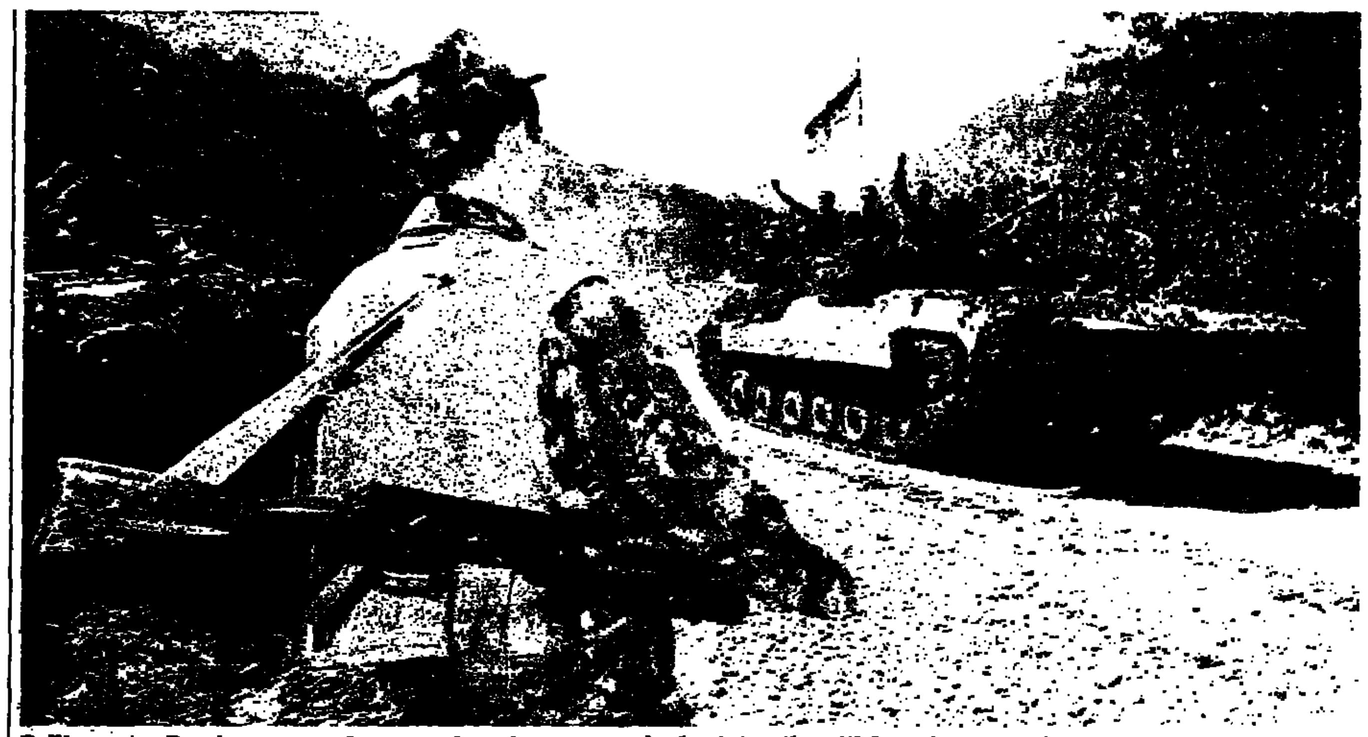
Lloyd's 'may face further court challenges', Page 5; Editorial Comment, Page 15



Pulling out: a Russian armoured personnel carrier passes a checkpoint as the withdrawal from southern Chechnya begins Reuter

Lebed raises Chechnya peace hopes

By Chrystia Freeland in Moscow

Mr Alexander Lebed, Russia's security chief, flew back to Moscow yesterday after supervising a partial withdrawal of Russian troops which has created the best chance for peace in Chechnya since the war began 20 months ago.

The next step is a political agreement, which Mr Lebed hopes to negotiate shortly with separatist leaders. Mr Lebed said he would meet President Boris Yeltsin and Mr Victor Chernomyrdin, the prime minister, to win their approval for the political settlement before returning to Chechnya to finalise the deal.

"I hope the president will approve of my action. I will return to the Chechen republic to continue the negotiations with documents, impeccable from the legal point of view," Mr Lebed said at the Khankala military airport outside Grozny, the Chechen capital, before setting off for Moscow.

Although he did not give details of the proposed agreement, Chechen officials said the two sides hoped to resolve the most contentious issue – the region's political status as an independent state or as part of the Russian federation – by leaving it up to a local referendum.

Mr Lebed's initiative could dramatically alter the balance of power in Moscow. If the tough-talking former general arranges peace in Chechnya, he will earn a tremendous boost in the struggle to succeed the ailing Mr Yeltsin.

But Mr Lebed's triumph as a peacemaker could threaten many of Russia's more established politicians. Many observers fear his rivals may try to sabotage a deal.

"Lebed told the Chechen side yesterday that he needed to check a few details so that the agreement would not be attacked by the 'party of war'," said Mr Movladi Udugov, the separatist spokesman. He was referring to a shadowy group in the Kremlin thought to be opposed to a peaceful resolution of the conflict.

Mr Lebed's efforts could also be upset by Russia's military leadership, some of whose members could feel humiliated by a retreat from a tiny rebel region of less than 1m people.

His plans are most likely to be resisted by the interior ministry. General Anatoly Kulikov, the interior minister, has already been attacked by Mr Lebed.

Mr Lebed's ability to stop the planned bombardment of Grozny last week and to enforce an almost immediate Russian troop withdrawal have earned him the respect of many Chechen leaders.

A fragile ceasefire continued to hold in Grozny, scene of fierce fighting last week.

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Court victory set to boost US tobacco industry shares

By Richard Tomkins in New York

The beleaguered US tobacco industry was yesterday celebrating a badly needed victory after an Indiana jury threw out a lawsuit brought by the family of a smoker who died of lung cancer.

The six-member jury decided unanimously that Richard Rogers, who smoked for 44 years before dying at 52, had chosen to incur the risks of smoking and bore a greater responsibility for his own death than the tobacco companies.

The verdict is likely to boost tobacco companies' battered share prices when trading reopens on the New York Stock Exchange this morning. A defeat or hung jury had been seen as the most likely outcome.

The jury reached its verdict late on Friday night after deliberating for two days. Only hours earlier, President Bill Clinton had declared nicotine an addictive drug and imposed tough restrictions on cigarette sales and advertising in an attempt to curb under-age smoking.

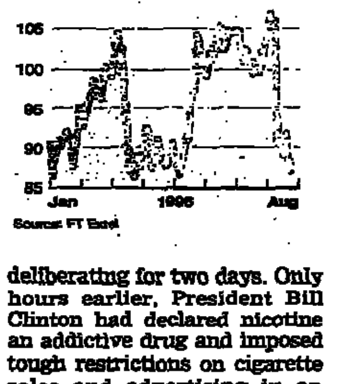
Earlier in the week, Arizona, Kansas, Michigan and Oklahoma joined the list of states filing multi-billion-dollar lawsuits against the tobacco industry in an effort to recover the costs of treating smoking-related illnesses under public assistance programmes.

The Indiana case had attracted intense scrutiny on Wall Street because it was the first to go to trial since the tobacco industry suffered a stunning defeat in a Florida court two weeks earlier.

In that case, $750,000 in damages were awarded to Mr Grady Carter, a lung cancer patient who smoked for 44 years, and his wife, Mildred. It was only the second case the industry had lost. The first was overturned on appeal.

If the Indiana case had gone against the tobacco manufacturers, it would have indicated that US juries had begun to take a radically different view of the industry's liability.

Philip Morris



Source: FT Extel

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Eco-labelling plan upsets paper makers

By Caroline Southey in Brussels and Bernard Simon in Toronto

European Union efforts to improve environmental standards for paper making could be boycotted by big EU and US producers, following strong industry resistance to an EU-wide eco-labelling system for some paper products.

Pulp and paper producers on both sides of the Atlantic are mapping out strategies to challenge a scheme under which office, fax and copy paper would be eligible for an ecology label if certain production standards are met. The scheme, approved by EU member states last month, is due to come into effect soon.

Producers will be able to apply for the eco-label if they reduce toxic waste, energy consumption and sulphur emissions and provide proof that they are using wood-fibre from ecologically managed forests.

The EU uses 3.5m-4m tonnes of paper a year, excluding recycled paper, on "cut-paper" products. The leading producers are Finland, Sweden and France.

The Confederation of European Paper Industries (CEPI), which represents European pulp and paper manufacturers, said there was "widespread industry unease about the value of the label".

A CEPI official said it believed that the system would not reap serious environmental benefits and that it discriminated against smaller paper producers. "We believe the current system is elitist and that it will have marginal impact on the environment," the official said.

The official denied CEPI would launch a boycott campaign against the EU regulation. However, an EU industry official said "it is clear that CEPI hopes no company will apply".

Although the scheme is voluntary, industry officials believe it will take just one or two big producers to adopt the label to put strong competitive pressure on other companies. "It may be voluntary but it can still be used as a market instrument," an EU industry official said.

The American Forest and Paper Association (AFPA), which has led the US campaign against the scheme, said its biggest concern was that "voluntary will become mandatory". An official said that this could especially be the case with government procurement if government departments started insisting on the eco-label.

EU and US industry officials believe the scheme discriminates against "non-integrated" mills, which buy pulp supplies, often from a number of sources, and favours "integrated" mills which produce both pulp and paper.

The AFPA also argues that "many if not all" US suppliers will not qualify for the labels "without spending a lot of money". An AFPA official added that specific emission limits had been placed on two pollutants which were not measured in most US mills.

Brazil, Canada, Australia and New Zealand have also protested against the plan.

The AFPA is considering referring the scheme to the World Trade Organisation on the grounds that it will affect US market access to the EU. The industry has the support of the US government, which will argue its case again next month when EU and US officials meet for further talks.

Samashki: a symbol of unbroken spirit

How a Chechen village lives on despite Moscow's military excesses. Chrystia Freeland reports

The bullet-riddled fences of Samashki are one of the reasons why Russian troops this weekend began a reluctant withdrawal from Chechnya.

Twice overrun by Russian forces during the past 20 months of war, Samashki is one of the Chechen villages that have taught Russian soldiers that no matter how violently they attack they have little hope of securing lasting control over their victims.

In April 1995 Samashki was the site of one of the greatest atrocities commited during the Chechen conflict, when Russian soldiers, many of them alleged to be drugged or drunk, unleashed a frenzied massacre on the village, killing and maiming hundreds of civilians. Then last March, Moscow struck again, pounding Samashki with air and artillery attacks, despite the weapons and cash which the villagers offered to silence the Russian guns.

The barbarism of these two attacks has turned Samashki into the My Lai of the Chechen war. Like the infamous US slaughter of villagers in Vietnam, this village in south-western Chechnya has become a symbol of the cruel excesses of the Russian military.

But, perhaps more importantly, Samashki is also one of the hundreds of towns and villages where Russian soldiers have learned that, no matter how fiercely they fight, their efforts are largely in vain.

The futility of the Kremlin's attempt to beat the Chechens into becoming loyal citizens of the Russian Federation is apparent at the Samashki bazaar, a collection of fragile wooden stalls where food and clothes are traded in the shadow of the skeletal remains of the bombed-out building which was once Samashki's "House of Culture."

A metre-long, dull grey bomb fin rests at the foot of the rickety kiosk from which Mrs Aset Salgerieva peddles a sad assortment of fly-covered tomatoes and dusty boxes of macaroni.

"This is our memory," she says, pointing to the bomb case, which she has carefully left where it fell in the heat of the first Russian raid on the village.

"It is a monument to how we were beaten, how we were minced up and cut into small pieces, to how the Russians treated live human beings like pieces of meat," says Mrs Salgerieva, who, together with her extended family of six adults and six children, lives in a nearby tent without electricity or running water. The family's original home and the prefabricated shelter they built to replace it were both destroyed in the two successive Russian attacks.

Mrs Salgerieva's attitude is typical of the Chechen village, whose residents uniformly say that the repeated Russian bombardments have hardened their determination to resist Russian rule, rather than eroding it.

Like the bomb fins in the bazaar, the charred corpses of destroyed homes have been intentionally left in place throughout the village, turning Samashki into a bleak museum of Russian excesses.

"We do not plan to rebuild until the Russian army leaves," says Mr Shamsaiev, a muscular 35-year-old agronomist at the local collective farm, who has left his job in the fields to join the separatist fighters.

Men like Mr Shamsaiev, separatist soldiers who periodically return to their families in Samashki to rest from the strains of battle, are the official reason the Russian military gave for its attacks.

But if Moscow's purpose was to chill civilian sympathies for the fighters by making the entire village suffer for sheltering its weary sons, the tactic appears to have backfired.

The Kremlin's offensive has turned even the children of Samashki, who have the skinny bodies and spotty faces of undernourishment and poor hygiene, into junior fighters in what they are being taught to see as an Islamic *jihad*.

"We respect the separatists. When they fight, they fight for Allah," says Khamza Khusienov, a 14-year-old wearing a traditional round white cap with gold trim. Returning from the village's daily instruction in the Koran and Arabic, Khamza translates the exchange for the younger children, who no longer understand Russian.

This cultural shift away from the Russian language and secular traditions imposed by the Soviet Union is another one of the unintended consequences of Moscow's crackdown and it is a development which could make Chechnya an even more unwilling vassal in the years to come.

Even the Russian soldiers at a checkpoint 5km away are beginning to see their army's repeated efforts to subdue Samashki, and villages like it, as pointless.

"I have mixed feelings about what we did in Samashki," says Ruslan, a tanned 22-year-old who is one of the voluntary contract soldiers who have a reputation for being less squeamish than the younger draftees. "It is good, because the fighters had to be chased out, but it is bad because the civilians suffered."

But upon reflection, Ruslan admits even this ambivalent verdict is too generous. "Of course it's true that, after our attacks, Chechen fighters can return to Samashki when they like," Ruslan concedes. "If you live here, and it's your homeland, it is always easy for you to hide from outsiders."

The centre of Grozny at the weekend: residents are suffering the same devastation as those in Samashki AP

Onassis trust seeks to fight off 'mismanagement' claim

Battle over inheritance mixes ancient tragedy and TV soap opera. Kerin Hope reports

Aristotle Onassis, Greece's most colourful shipping tycoon, died over 20 years ago but his inheritance has triggered a new drama that mixes ancient tragedy and television soap opera in familiar style.

The Greek trustees of a billion-dollar fortune belonging to 11-year-old Athina, Onassis's grandchild and the last of the dynasty, have been accused of criminal mismanagement by her father, Mr Thierry Roussel, a French businessman.

Mr Stelios Papadimitriou, the chief trustee, says: "We reject these charges. Mr Roussel wants control of Athina's money. But her mother was determined that he shouldn't have it and we are responsible for carrying out her wishes."

Onassis left half his fortune, estimated at $1bn when he died in 1975, to his only daughter, Christina. The other half went to establish the Alexander Onassis Foundation, a Liechtenstein-based charity in memory of his only son, who was killed in an air crash in 1971.

However, the legal dispute threatens to undermine the reputation of the foundation, where Mr Papadimitriou and his associates have worked hard to transform the shipowner's image from a philandering jet-setter to that of a dignified international benefactor.

The foundation awards a scholarship for Greeks to study abroad, runs a cultural institute in New York, and hands out international prizes for humanitarian achievement. It has also built a $80m cardiac hospital in Athens which is soon to be extended at a cost of $30m.

A former associate, who recalls Mr Onassis hosting Mr Winston Churchill on his yacht, his much publicised affair with the opera singer Maria Callas, and his marriage to Jackie Kennedy, says: "He loved publicity and lavish spending but like every other shipowner, his overriding priority was to preserve his wealth."

Mr Papadimitriou, a prominent lawyer and the foundation's president, guards the Onassis heritage from its headquarters, a neo-classical mansion in Athens. He and three co-trustees are accused of mishandling the shipping business that forms the basis both of the foundation's income and of a separate trust set up by Christina in 1986, shortly before she divorced Mr Roussel, her fourth husband.

The law suit was filed by Mr Roussel in Athens earlier this year, after a Swiss appeal court rejected his bid to take control of the trust. Since her mother's death in 1988, Athina has lived in France with her father.

Mr Papadimitriou says the charges are "ludicrous". He claims that since Onassis died, ASO Naviera, the holding company for his shipping interest, has helped to quadruple the foundation's net worth after renewing the tanker fleet and making property investments in London, New York and Monte Carlo.

He says: "We run 17 ships all under the Greek flag, among them eight new tankers that make up the world's most modern dirty cargo [tanker] fleet."

To back the trustees' defence, Mr Papadimitriou has produced a letter in Ms Onassis's handwriting which appears to reveal a deep mistrust of Mr Roussel.

Written in English it says: "I came to ask you for help to protect me against Thierry. I built a house made of cement. In this house I put all my capital and the job of the protectors is to keep the door closed."

Mr Roussel now receives over $6m a year from the Onassis fortune, both from a marriage settlement from Ms Onassis's will and under a later deal with the foundation in which he agreed that Athina would learn Greek, be brought up in the Greek Orthodox faith and keep in touch with family, friends and relatives in Greece. However, it is several years since Athina came to Greece.

The Onassis family's private island, Skorpios, is no longer used. Her grandfather's yacht is rusting in Piraeus.

Mr Roussel's most recent business venture, an environmentally friendly agricultural project in Portugal, has collapsed. Two earlier ventures, a construction project in Algeria and a timber trading company, also failed.

The foundation's charter provides for Athina to take over its presidency when she comes of age in 2003. But she will not have to learn how to run her shipping business: among her colleagues on the foundation's board will be the sons of Mr Papadimitriou and his co-trustees.

Onassis at his wedding to Jackie Kennedy: 'overriding priority to preserve his wealth' Sipa

Kurds ignore ceasefire plea

By John Barham in Ankara

Fighting continued yesterday between two Kurdish factions in northern Iraq, in spite of US calls for a ceasefire to stabilise the region, which was wrested from the control of President Saddam Hussein after the 1991 Gulf war.

Communications with the mountainous region, virtually cut off from the outside world and governed by rival militia leaders, are poor. But officials from both sides said clashes were continuing even though leaders of both factions had agreed to US pleas to stop fighting.

The two Kurdish groups, the Kurdistan Democratic Party (KDP) and its rival, the Kurdistan Patriotic Front (PUK), began fighting on August 17.

The bitter conflict, which one group claims involved Iranian artillery barrages, has claimed hundreds of lives and forced thousands of civilians to flee their homes.

The battles have also shattered a Washington-backed ceasefire agreed last year after negotiations in Dublin that ended a previous cycle of violence that killed about 3,000. But the US failed to force the two sides to accept a full peace deal.

Mr Bilshad Miran, KDP London representative, said the PUK "attacked at 4am on August 17 while we were celebrating our 50th anniversary. They were trying to sabotage US mediation, which was gathering momentum and was backed by the KDP." He claimed the PUK attacked with Iranian logistic and artillery support.

However, Mr Lateef Rashid of the PUK blamed the KDP for restarting the struggle "for total control of Iraqi Kurdistan". He said: "We accept a ceasefire if it leads to a comprehensive solution. The KDP has to stop attacking."

One independent observer said the fighting was "a continuation of what has had been happening over the two years". The PUK was challenging the KDP's monopoly of "customs" dues levied on Turkish traders, who barter basic supplies for Iraqi fuel.

The failure of the two parties to settle their feud – which began 30 years ago when the PUK split from the KDP – is wrecking attempts by the west, particularly Britain and the US, to bring peace to the region.

Instability also increases the scope for Iranian involvement.

As well as interfering in this week's fighting, Iranian revolutionary guards briefly attacked Iranian Kurdish rebel bases in northern Iraq last month.

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Baltic country will press for EU entry and security guarantees from the west

Estonia to choose president for key term

By Matthew Kaminski in Tallinn

The Estonian parliament meets today to elect a president for a critical five-year term during which the smallest Baltic country will be pressing for membership of the European Union and firmer security guarantees from the west.

Mr Lennart Meri, the publicly popular incumbent, appears some eight votes shy of the 68 needed to gain re-election on the first ballot in the 101-seat parliament. But his only declared opponent, Mr Arnold Ruutel, has been unable to broaden his support beyond his agricultural party.

If no winner emerges today, parliament will vote again tomorrow, before the electoral college expands to include local government leaders on Wednesday, possibly giving Mr Ruutel more votes. An outside candidate could step in at any stage.

Mr Meri, an urbane film maker, turned a presidency of limited powers into a platform at home and abroad for Estonia's "return to Europe" after 50 years of Soviet occupation.

The campaign for the presidency has not exposed any fissures in the consensus for market reform, which produced 3 per cent growth last year and quickly reoriented trade westward when the Soviet Union broke up. But Mr Ruutel, a 68-year-old former state farm boss, represents a more nationalist and less Europhile wing of Estonian politics, which opposes the country's duty-free import regime.

An alternative to Mr Meri is more likely to come from the ruling parliamentary alliance of the mildly social democratic Coalition party and its staunchly pro-market partner, the Reform party.

Western officials in Tallinn believe the coalition which has been in power for nearly a year has strengthened the case for Estonia's admission into the EU along with the first wave of central European countries and possibly ahead of its two other Baltic neighbours, Latvia and Lithuania.

Three-quarters of the economy has been put in the private sector, and in November the government is expected to give formal approval for the sale of the remaining state-held telecommunications, transport and energy companies.

Inflation and public sector debt, two areas of concern, have been brought under control this year – consumer prices are expected to rise 20 per cent in 1996 – but the current account deficit of EKr2bn ($168m) last year continues to grow.

The biggest threat to Estonia's integration with the west is posed by its troubled relations with Russia.

The two countries have an outstanding border dispute and Moscow also complains about the treatment of about 500,000 ethnic Russians, although a western diplomat said "by common consensus of western observers there is no human rights problem here".

Mr Siim Kallas, the foreign minister, said close co-operation with Sweden, which US President Bill Clinton last month said should take a lead on Baltic security, could never replace a Nato defence guarantee which Estonia wants. But he acknowledged Nato membership might prove difficult, given Russian sensibilities. He held out the hope that Estonian security could yet benefit from joining the EU.

"The EU, of course, is not a security organisation," he said, "but it is a very important part of the peaceful environment created in the past few years."

EUROPEAN NEWS DIGEST

Bosnian polls may be put off

International officials will meet in Sarajevo today to consider postponing the local elections due in Bosnia on September 14 – because of apparent manipulation of the electoral roll of refugee voters by the Serbian government of President Slobodan Milosevic.

Postponement of the local polls would further poison the atmosphere for the national elections also planned for September 14. The international community is determined to hold the national elections on schedule in spite of the absence of political freedom in most parts of the country.

The row arises from the provisions of the Dayton peace agreement – allowing Bosnians to vote where they now live, by absentee ballot where they lived before the war, or where they intend to reside if they cast their ballot in person. What was apparently not foreseen was that Mr Milosevic would use this last option for a large-scale electoral engineering operation, designed to cement the effects of "ethnic cleansing" in northern and eastern Bosnia.

UN officials say that the Yugoslav authorities gave tens of thousands of refugees forms with their "intended" place of residence – in districts of Bosnia where they had never lived – already filled in. The districts include Srebrenica, the former UN "safe area" whose Moslem defenders were massacred after surrendering last year, and Brcko, in the strategic corridor linking Serb-held areas. *Edward Mortimer and Laura Silber, Tuzla*

Ukraine starts new currency

Ukraine will start using its long-awaited new national currency, the hryvna, next week. Mr Viktor Yushchenko, the chairman of the national bank, said the hryvna would be introduced on September 2 under a presidential decree signed yesterday. The new currency, named after money used in Ukraine before Russian rule 300 years ago, is an important symbol for the state, which celebrated its fifth independence anniversary at the weekend.

The hryvna will replace the temporary karbovanets, which has been national tender since the collapse of the Soviet Union. It is seen as a sign of government confidence that its tough economic reforms are beginning to work. New and old currencies will circulate simultaneously for a fortnight. *Chrystia Freeland, Moscow*

International securities record

Issues by borrowers of international securities reached a record level in the second quarter of this year, the Bank for International Settlements says in its latest review of financial markets published today.

Investor demand for greater credit risk meant issues by developing country borrowers reached unprecedented volumes. The BIS said this underlined "that the Mexican crisis of early 1995 and the bond market turbulence seen at the beginning of 1996 had no more than a temporary influence" on investors' attitudes to developing countries.

In a separate report on the prospects for a single European government bond market based on a single European currency, the BIS said such an integrated market could rival the government bond markets of the US and Japan. *Graham Bowley, London*

Saxony appeals on VW ruling

The east German state of Saxony has appealed to the European Court of Justice for support in a row with the European Commission over subsidies to the Volkswagen car group. It has submitted its case to the Luxembourg court to get the commission to withdraw its demand that DM241m ($160m) of aid be frozen immediately, a state official said.

VW last week insisted the money was granted legally and aims to stick to its investment plans in east Germany. EU officials have said one possibility would be for the German government to freeze funds it is due to pay to VW equivalent to the disputed money paid by Saxony. Mr Günter Rexrodt, German economics minister, suggested in Der Spiegel magazine that a temporary freeze of Saxony's subsidies pending a court ruling could form a basis for compromise. *Andrew Fisher, Frankfurt*

Turkish party leader elected

Mr Mesut Yilmaz was re-elected leader of Turkey's opposition Motherland party at the weekend by a much larger margin than expected. He drew 1,000 votes while his only rival, the little-known Mr Işin Çelebi, got just 170. Mr Yilmaz may soon face a more determined leadership challenge if he fails to galvanise opposition to the Islamist-conservative coalition. *John Barham, Ankara*

صكنا من الاهل

NEWS: INTERNATIONAL

Japan ready to take Indonesia to WTO

By Michiyo Nakamoto in Tokyo and Manuela Saragosa in Jakarta

The Japanese government is poised to take Indonesia to the World Trade Organisation over Jakarta's "national car" programme, which Tokyo claims discriminates against Japanese vehicle imports into Indonesia.

The Timor 1500 cc saloon has been granted the status of national car by the government, which enables it to receive tax and tariff breaks. The car is being developed by Timor Putra Nasional, a company owned by President Suharto's youngest son, Mr Hutomo Mandala Putra, in collaboration with South Korea's Kia Motors.

Because Timor Putra Nasional has no facilities to develop a car in Indonesia, it is being allowed to import up to 45,000 completed cars from South Korea duty-free over the next year and sell them tax-free in Indonesia. The first batch of national cars is due to arrive at an Indonesian port this week.

Analysts say the imports violate a WTO article which stipulates that imports cannot be treated differently from locally manufactured products. Established foreign car manufacturers in Indonesia are subject to a heavy and complicated tariff regime for the car components they import.

"We have told [the Indonesian side] that if cars are imported into Indonesia free of tariffs, we will have to adopt a serious response, which could include asking for a WTO dispute settlement panel," an official at Japan's Ministry of International Trade and Industry said.

Indonesia's national car programme has drawn criticism from Japan, the US and European Union. All have claimed the programme breaches Indonesia's WTO obligations. The issue has particularly angered Japan because Indonesia's car market is dominated by Japanese brands.

Indonesia's Ministry of Trade and Industry has sent delegations to Japan to explain its national car policy in an effort to keep it out of the WTO. The last meeting between the two sides was held in June this year but officials described them as "inconclusive".

The programme has also cast a shadow over Asian family cars being made by two Japanese carmakers in Thailand, which will be dearer than the Timor.

Although Honda's Asian car has been a tremendous success, and Toyota expects substantial demand for its family car to be launched next year, both companies admit costs will be under pressure from the Indonesian competitor.

Israeli president agrees to meeting with Arafat

By Avi Machlis in Jerusalem

President Ezer Weizman of Israel yesterday said he would meet Mr Yassir Arafat, the Palestinian president, in the latest effort to revive stalled Israeli-Palestinian peace talks.

Mr Weizman, the ceremonial head-of-state, said the Palestinian leader had sent him a letter expressing fears for the future of the peace process and requesting a meeting. At a press conference with Mr Benjamin Netanyahu, Israel's prime minister, the president said Israel could not ignore Mr Arafat's "great political achievement".

"Today he has control of over 2m Palestinians," he said. "When a leader like that who is my neighbour... asks to see me, I think I have to agree."

Although a meeting between Mr Arafat and Mr Weizman is symbolic, it places pressure on Mr Netanyahu to follow suit. The prime minister has said he will not meet Mr Arafat unless it is vital for Israel's security.

Mr Weizman said the meeting would take place by the end of the year. He informally met Mr Arafat in 1994, at the inauguration of Mr Nelson Mandela, South African president.

Mr Nabil Abu-Irdeinah, spokesman for Mr Arafat, said: "We are ready for a meeting with President Weizman. This is important as a signal for restarting the frozen peace process."

According to Israeli political etiquette, the apolitical president is expected to keep out of public debates, but Mr Weizman frequently has ignored this rule. His decision is typical of his penchant for voicing his often controversial opinions. He was widely criticised in Israel after appealing to the previous Israeli government to rethink peace moves with the Palestinians following Palestinian extremist suicide bombings in Israel in 1995.

The move follows threats made last week by President Hosni Mubarak of Egypt to cancel a regional economic conference planned for November in Cairo if Mr Netanyahu did not revive the talks.

The hardline Mr Netanyahu, elected in May, said talks would begin soon. But Mr Abu-Irdeinah said although "minor" meetings were planned between Israeli and Palestinian ministers, "we are still waiting to see things move".

Swamp bank loans leave Thais bemused

Ted Bardacke reports from So Phisai on land scandals that are causing political shockwaves

Mr Somsak Pimawan, a rice farmer near Thailand's border with Laos, always felt there was something a little strange about the deal.

Two years ago, he says, a broker for the local *hia* (Chinese tycoon) offered to buy his two plots of flooded land for Bt3,000 ($118) per rai (1,600 square metres). One plot measured 30 rai, the other 4 rai.

"He said he wanted to build a factory. But I don't think you can build anything there. It's a swamp," says Mr Somsak, who sold the land anyway.

In April, as a $1.8bn scandal involving the Bangkok Bank of Commerce (BBoC), a mid-size commercial bank, began to unravel, Mr Somsak found out just how strange things had become.

Companies and people affiliated with Mr Suchart Tancharoen, then deputy interior minister, whose responsibility included oversight of the Land Department, had colluded with local department officials to acquire title not only to the two plots Mr Somsak had sold, but also to all the land in between, covering more than 1,000 rai.

"They even took the land where the temple is," Mr Somsak says, shaking his head in amazement.

Officials at Thailand's central bank were even more amazed. The land had been valued at Bt17,500 per rai – an increase of nearly 500 per cent – and used as collateral to borrow money from the BBoC, loans the finance ministry admits it will be hard to recover now it has taken over the bank.

Of the $3.12bn in low quality and high risk debt on BBoC books, $105m went to the Tancharoen family, according to central bank documents. Mr Prinya Nakchudtree, director general of the Land Department, says as much as 45,000 rai could be connected to the scandal.

Flooded fields to fool's gold

Four land officials have been arrested and a warrant for the arrest of Mr Suchart's father, Mr Wichian Tancharoen, was issued last week. Police say a request for permission to arrest Mr Suchart, who has resigned from the cabinet, will soon be forwarded to Gen Pochana Boonyachinda, police director.

Analysts say because for many years Thailand's policy of raising rural income was based on uncontrolled expansion of the country's land frontier – basically letting peasants cut down forest reserves which remained government property – in every land deal there is a scandal waiting to happen.

"You have a huge number of people living and farming on land they don't have title to," says Mr Chalongphob Sussangkarn, president of the Thailand Development Research Institute. "This brings them under the judgment of local officials, who can be influenced by politicians and other powerful people."

Last year the government of Mr Chuan Leekpai collapsed under a wave of evidence that land documents originally destined for poor farmers ended up in the hands of wealthy relatives of MPs who are members of Mr Chuan's Democrat party.

And when current Prime Minister Banharn Silpa-archa faces a no-confidence motion next month he will be called on to explain a controversial land deal done by his daughter, Ms Kanchana Silpa-archa, also an MP.

In 1990 Ms Kanchana bought 75 rai for Bt29m on the outskirts of Bangkok. Four years later she sold it to the central bank, which will use the site for a new mint, for Bt465m, a profit of 1,503 per cent at a time when land prices in the area were static at best.

"Every province has problems like this," says Ms Narisara Wongphoom, a provincial councillor in So Phisai who helped unearth the land grabbing scandal in her area. "They pay off the village headmen, the officials, whoever can help them... and the villagers don't understand what is going on."

Ms Taween Seemaluang is one of those villagers. She sold 10 rai of flooded land to a broker a few years ago. This year she got a tax bill claiming she owns 190 rai, which was used as collateral to borrow money from the BBoC, also under her name. "They took my identity card and did it themselves," she says. "I didn't know it had been mortgaged until I saw it on TV news. I have no idea how much they borrowed. I'm afraid... I can't sleep at night."

Ms Narisara is also finding it hard to sleep. At one time she was friendly with Mr Suchart and felt protected – he used to eat in her restaurant when he would come to look at the land. But now, as result of her meddling, she must have continual police protection and sleep in a different house every night.

INTERNATIONAL NEWS DIGEST

IMF to ratify Egypt credit

The International Monetary Fund is to ratify a new 24-month standby credit for Egypt – a recognition, in part, of the government's successful management of the economy.

A decisive factor in the IMF's decision, to be endorsed at an executive board meeting in October, was the acceleration of the privatisation programme since May, especially the selling off of majority stakes. The government has recently announced that up to 50 companies will be floated in the fourth quarter.

The new IMF programme will include six-monthly targets for privatisation, as well as reforms to the tax regime and the financial sector. It clears the way for the Paris Club of creditors to write off a third and final tranche of sovereign debt worth about $4bn, agreed in principle after the Gulf war. *Sean Evers, Cairo*

Thai refinery for exports

Thailand is set to get its first export-oriented petroleum refinery, following the weekend signing of a Bt33.3bn ($1.3bn) contract by the industry ministry and Sukhothai Petroleum, a small oil trader, to construct a 125,000 barrel per day (b/d) facility in the southern province of Songkhla. The move comes in the same month as Thailand has became for the first time a net exporter of refined petroleum products.

The refinery, expected to be completed in 2000, will produce 47,512 b/d of diesel, 25,848 b/d of petrol, 13,962 b/d of kerosene and jet fuel, 9,555 b/d of low sulphur fuel oil and 400 tonnes per day of liquefied petroleum gas. Sukhothai executives said the refinery was the first project in a planned complex including a Bt3bn petrochemical facility producing 200,000 tonnes a year of high-density polyethylene. *Ted Bardacke, Bangkok*

Move to halt steel dumping

Thailand has put new duties on some steel products after local steel producers claimed European, Asian and Latin American producers were dumping products on the local market. Tariffs on cold-rolled stainless steel sheets are now 10 per cent, up from 1 per cent. H-beam, I-beam, and U-beam structural steel tariffs were increased to 20 per cent from 4 per cent and wire rod imports duty will now be doubled to 20 per cent. *Ted Bardacke, Bangkok*

Hong Kong to stay in Apec

Hong Kong will stay in the Asia Pacific Economic Co-operation (Apec) forum after its handover to China next year, according to Mr Donald Tsang, financial secretary. He said Hong Kong's continued membership was accepted by all other Apec members: "Apec is a collection of economies, not of sovereign states. So the change in 1997 for Hong Kong is a change of sovereignty which should not affect that underlying status that Hong Kong is an autonomous economic entity." *John Ridding, Hong Kong*

Hanoi ponders cash machines

Vietnam's currency, the dong, may soon be available from cash dispensing machines under a proposal to be put to the central bank. The only fully operational cash machine in Vietnam – in Hongkong Bank's Ho Chi Minh City branch – dispenses 50,000 dong ($4.50) notes and US dollars, which are still widely used. *Jeremy Grant, Hanoi*

The 1996 Democratic convention in Chicago: The circumstance may be great but the ideas will be small

Clinton set to reign over a week of grandeur

US ELECTIONS November 5

Over the last four years, in a variety of ways, President Bill Clinton has downsized the presidency. And there is every sign that voters applaud that restructuring. However, from today until Thursday, the Democratic party will meet in Chicago to hold a giant coronation for the downsized candidate. Everything about the convention will aspire to grandeur, from the size of the multi-tiered podium to the emotions scripted for opening night, when quadriplegic actor Christopher Reeve will address the hall from his wheelchair.

But the presidential figure will loom largest of all: video screens in the hall will carry outsized images of Mr Clinton travelling cross-country to Chicago in a train called the 21st Century Express. Delegates will follow his progress via giant tracking maps. They will watch him greeting the crowds which cannot fail to turn out to see him ride into town aboard a campaign train once used by President Harry Truman. And they will note that he looks... well, presidential.

The man who was reduced to protesting, not two years ago, that he was "relevant," has since learned an important lesson: how to fill the psychological space in the mind of the nation which is reserved for "the President". At moments of national adversity – the bombing at the Atlanta Olympics, the crash of TWA flight 800 – he has assumed the national grief and made it nobler. Mr Clinton has developed a knack for the presidency.

He has done so by mastering the art of the miniature: the small idea, the micro-reality of American life. He has abandoned great schemes for re-engineering American society to work "inch by inch" for change. As the irreverent political columnist Maureen Dowd puts it: "Instead of the Great Society, Mr Clinton now brings us the Itsy-Bitsy Society. Instead of a rendezvous with destiny, he has an appointment with detail."

All last week he was keeping appointments with detail in the Rose Garden of the White House, signing a law to raise the minimum wage slightly and announcing an assault on teen smoking. For months already, his campaign – and his presidency – have focused on the smallest of micro-issues: school uniforms, teenage curfews, cellular phones for neighbourhood watch groups.

Mr Clinton has mastered the art of the miniature: the small idea, the micro-reality of American life

But nothing was so symbolic of his downsized ambitions as the law he signed last week to make health insurance portable from job to job. The man who came to office with a grand plan to revolutionise American healthcare had been reduced to micro-managing change.

Campaign officials plan to maintain the barrage of small ideas throughout convention week: the President will announce one new measure – on crime, education or the environment – every day. On Thursday, when he accepts his party's nomination, Mr Clinton will try to package the bits into something grander: a vision for America's future.

If his new book is any guide, the whole may not exceed the sum of its parts. But the president's pollsters argue that it is those parts which matter most.

The argument is that voters, deeply distrustful of big government and big promises, prefer their president to be practical rather than visionary. That leaves Mr Clinton's pollsters to decide how he can make himself most useful. Ideas, phrases, even words are tested on "focus groups" of voters.

The irony is that many of his best lines sound more Republican than Democratic: curfews, welfare reform, and attacks on big government are traditional conservative themes. Republicans accuse him of ideological theft.

This is deliberate. Mr Dick Morris, Mr Clinton's shadowy political consultant, has pushed the president to "neutralise" traditional Republican issues by adopting conservative positions. That frees him to campaign on issues closer to people's hearts, like the "V" chip which allows parents to block indecent television programming.

As described in journalist Bob Woodward's new book, The Choice, this means Mr Clinton must occupy "a dynamic centre that is not in the middle of what is left and right but is way beyond it." Mr Morris calls this "triangulation."

Others call it ideological confusion, and question whether the president obeys any principle except electoral expediency. And that makes it hard to predict how Mr Clinton will act if he marches from Chicago to a new term in Washington. In his first stint in the White House he has displayed multiple political personalities: new Democrat, old Democrat, and moderate Republican by turns. No one knows which would dominate, if he keeps his seat in the Oval Office.

Patti Waldmeir

Memories of the 1968 demonstrations linger but Chicago and its delegates have moved on

City hopes to wipe slate of tarnished past

None of the delegates gathering for this week's Democratic convention in Chicago expects to wake to the smell of tear gas.

While the Democrats play out their made-for-television renomination of Bill Clinton for President this week, thousands of reporters and most of the American public will be treated to flashbacks to the 1968 convention, when the Vietnam War rent the Democratic party, and the dissent spilled into Chicago's streets and parks.

Back then, Chicago was a shot-and-a-beer kind of town, with factories running three shifts to feed the escalating Vietnam war. The police force was white and male, and the Democrat's legendary Machine, which penetrated every aspect of life in every neighbourhood in Chicago, was the force behind Mayor Richard J. Daley's national reputation as a kingmaker, the man who put John F. Kennedy in the White House.

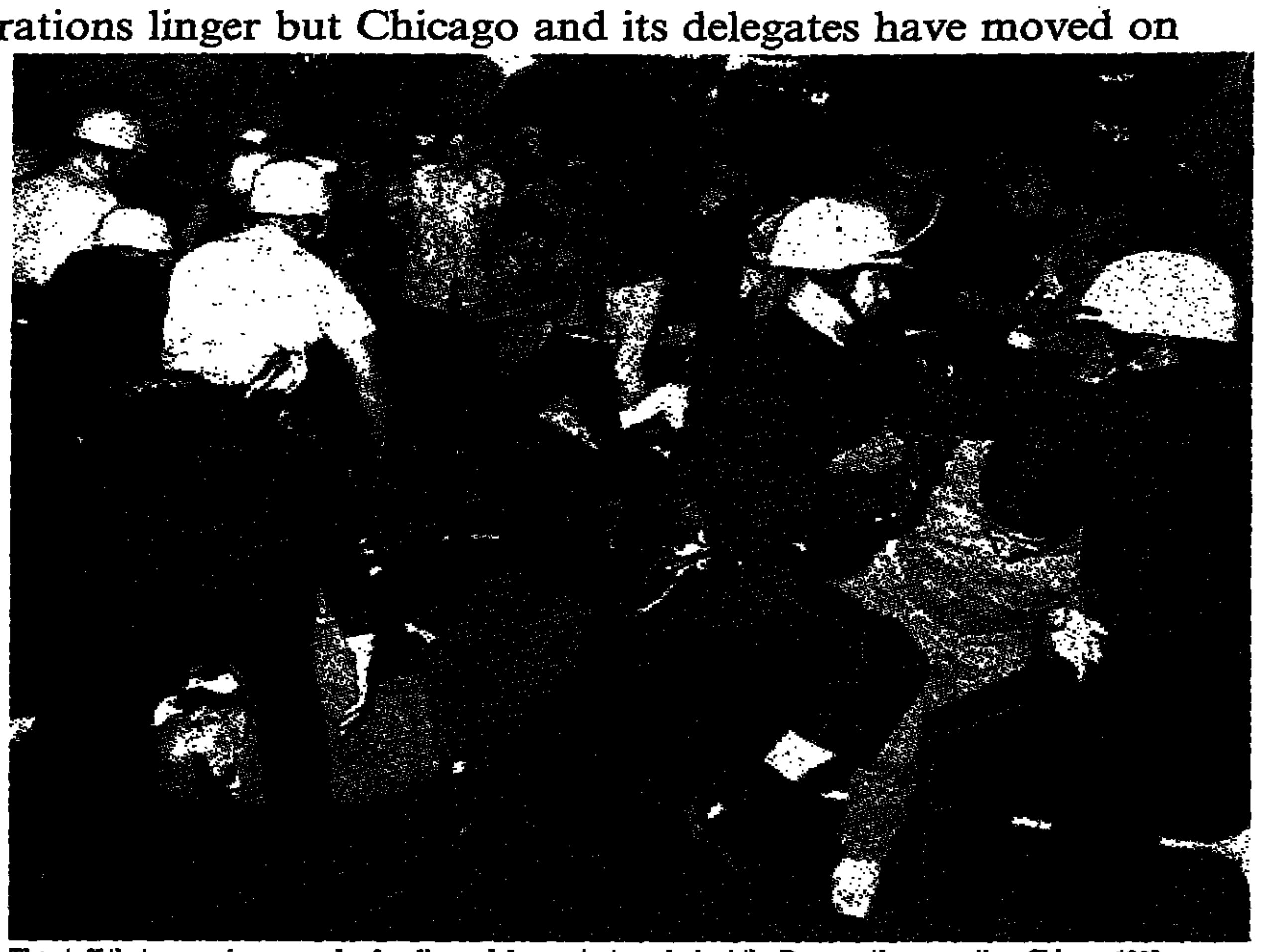
Nowadays, the city is more a place of health clubs than factories, many of which have migrated out of town. Gin mills have been replaced by coffee bars, and while there will be hundreds of young people in Chicago's lakefront parks this week, they will be playing beach volleyball, as they usually do in August, and, unlike in 1968, would not dream of protesting against anything.

Political observers such as Mr John Schultz, who chronicled the 1968 demonstrations, agree the convention that year was a turning point for Chicago, as well as for the Democratic Party.

"Richard J. Daley was the most powerful political person in the US going into the convention, and he came out stripped of his power," Mr Schultz said.

It took the Daley family years to recover the mayoralty, and in the meantime, the city diversified, thanks in large part to the administration of the late Mayor Harold Washington, Chicago's only black mayor, a man who was able to bring together the city's fractured ethnic minorities into a majority coalition.

The Harold Washington legacy is visible today in the remarkable diversity in Chicago's police force and other public agencies. Chicago's police chief today, Mr Matthew Rodriquez, was a young hispanic patrolman during the 1968 convention. The private sector and Chicago's universities have also opened up to women and minorities over the past two decades, leaving the face of downtown more like Mr Jesse Jackson's Rainbow Coalition than the old Mayor Daley's white establishment.



The stuff that memories are made of: police and demonstrators clash at the Democratic convention, Chicago 1968 UPI/Bettmann

The United Center, the new basketball arena where the convention will take place, and where Michael Jordan is king, anchors the city's renewal. Convention delegates, looking out of the windows of air-conditioned buses that shuttle them from their hotels, will see the reconstruction of Horner Homes, a notorious public housing project, tidily fenced vacant lots clean of rubbish for the first time in decades, and budding new neighbourhood businesses that two years ago would not have ventured into the area.

The "new" Mayor Daley, Mr Richard M. Daley, popularly known as Richie, is more of a negotiator than his father. Now in his second four-year term, Mr Daley and his brother William have risen to prominence in the Democratic party, supporting Mr Bill Clinton early in the 1992 campaign and then backing him unreservedly in his presidency, using their influence to put the president on top of critical battles such as the Nafta trade legislation.

With elaborate plans to accommodate what is hoped to be a diverse group of docile demonstrators (permits have been issued, time slots assigned, toilets set up and parking passes distributed), city officials and federal security agents are more worried that Chicago will draw the kinds of terrorism that may have destroyed the TWA flight 800 over Long Island last month, and put a pipe bomb in a park at the Atlanta Olympics.

Convention security will be the tightest in history, with convention passes, even for media, strictly limited. Although specific details are confidential, Chicago this week, sadly, is prepared for the worst, down to emergency evacuation plans in the event of injuries.

Laurie Morse

Clinton seeks to derail Dole with train campaign

By Patti Waldmeir in Chicago

President Bill Clinton is whistle-stopping his way across the Midwest in a Hollywood-scripted campaign trek to Chicago, where the Democratic party today opens the convention which will nominate him to seek a second term in the White House.

Riding the same campaign train used by former President Harry Truman nearly 50 years ago, candidate Clinton will stump through the key swing states of Ohio, Michigan, Indiana and Illinois.

He has given the train a New Age facelift, rechristening it the 21st Century Express. But the ritual of the whistle-stop campaign is vintage American. Presidents from Abraham Lincoln to Franklin Roosevelt have wooed voters from the railways. In 1948, President Truman travelled 30,000 campaign miles by train to come from behind and beat rival Thomas Dewey.

As convention proceedings begin in Chicago, Mr Clinton faces no such uphill battle. A Newsweek opinion poll released at the weekend showed the president's lead over Mr Bob Dole, the Republican challenger, widening. An earlier Newsweek poll, taken immediately after the Republican convention in San Diego, had shown the two candidates in a statistical dead heat. The new survey puts Mr Clinton ahead by 7 points, while other polls give him a much larger lead.

Campaign officials have scripted this week's two conventions – the stationary one in Chicago, and the mobile one aboard the campaign train – to converge at a point which will boost that lead further. To that end, they say, Mr Clinton will spend the daytime generating news from the railways, announcing a new initiative on education, crime or environment every day, and being joined en route by what campaign officials call "American heroes" who embody his campaign themes.

The aim will be to manufacture the drama which the convention is likely to lack, building suspense for the triumphal arrival of the president on Wednesday night. That is the kind of drama which convention organisers will welcome: controlled excitement, not the tumult and violence of the 1968 convention, when police beat demonstrators outside the convention hall.

Like the Republicans in San Diego, the Democrats will stress unity in their bid to return President Clinton to the White House, and their party to power in Congress. Also like the Republicans, delegates to the Democratic convention are likely to be more extreme – in this case more liberal – than the leadership.

Clinton's book rushed out to catch convention sales

By Patti Waldmeir

President Bill Clinton's new book, Between Hope and History, rushed into shops today, promises a "vision for America at the dawn of a new century". What it delivers is much more modest: a mosaic of small political ideas interspersed with fragments of rose-tinted glass.

The effect is bitty rather than grand. And some of the bigger bits are missing altogether: the future of social security, Medicare and Medicaid (public health care for the elderly and poor) rate hardly a mention. The book aspires to be a statement of philosophy; but reads like a hybrid of campaign platform and stump speech.

Mr Clinton's aides insist that the 178-page book, is not meant to be a campaign tract. But the timing of its release would suggest otherwise.

Mr Clinton says the book is part of "the conversation I have had with the American people about our destiny as a nation, our duty to prepare for the new century, and our need for a shared vision of twenty-first century America that will enable us to grasp the extraordinary opportunities of the age of possibility." But it does relatively little to throw that conversation forward.

The tone is relentlessly cheerful, like a speech by former president Ronald Reagan. It is infused with the spirit of can-do optimism which made America great in President Clinton's childhood. But the path it charts to the 21st century is sketchy, marked by the smallest of milestones: the promise of 24 hours of annual leave to allow parents to attend parent-teacher meetings; a ban on so-called "cop-killer" bullets; tax credits for college tuition.

All of these are popular with voters, but they hardly support Mr Clinton's claim to have "a different...a truly progressive vision of our future."

The president may be wise to limit himself to small boasts, but if he wishes to secure his place in history as a leader and not just a political operator, he cannot ignore issues of the gravest concern – such as Social Security and the other entitlement programmes threatened with collapse in the next century. If the president has a plan for dealing with these problems, voters will have to wait for his next book to read about it.

Disappointingly, the book offers no glimpses into the soul of a man who is one of the world's most intriguing politicians. Almost everyone wants to know what makes Bill Clinton tick: there are few clues here.

Instead, there is the repetition of the familiar New Democrat mantra: opportunity; responsibility; community. One section of the book is devoted to each.

The first outlines government's role in "creating opportunities for all Americans," for example by raising the minimum wage and offering education tax credits.

The second argues that government must "demand responsibility from all Americans" – including "the responsibility of young women not to get pregnant, the responsibility of men not to get them pregnant..." and so on.

The third outlines ways to "forge a stronger American community" based on families and neighbourhoods.

Mr Clinton uses large parts to defend the record of his presidency, and to outline the ways Republican rule would destroy his achievements. As history, it is persuasive. But it largely fails to fulfil the promise of its title: to bridge the gap Between Hope and History.

Between Hope and History: Meeting America's Challenges for the 21st Century. Published today by Random House, $16.95.

Advertising curb may lift tobacco industry profits

But companies are more worried about the FDA's power, writes **Richard Tomkins**

It is a rare day when the president of the US gives a boost to the tobacco industry profits, but that is what Mr Bill Clinton may have done with his attempt to crack down on under-age smoking.

At the end of last week, Mr Clinton announced a series of tough restrictions on cigarette advertising and sales with the aim of halving tobacco use by children and adolescents during the next seven years.

One of the new rules will limit outdoor advertising to black-and-white text, so terminating the billboard careers of the Marlboro Man and Joe Camel; another will apply the same restriction to advertisements in magazines with a significant youth readership; and a third will ban brand-name sponsorship of sports events.

If the measures succeed in cutting cigarette sales, the tobacco industry's profits will fall. But few believe the rules will have that effect: instead, they seem likely to produce big savings for the industry in advertising and marketing costs, which will flow straight to the tobacco companies' bottom line.

One reason for the cynicism over the effectiveness of the new measures is that under-age smoking is already illegal across the US, and advertising is heavily restricted: yet 82 per cent of smokers start before they are 18.

As with cigarettes, so with drugs. According to government figures released last week, drug use among teenagers is soaring in the US in spite of prohibition and a total absence of advertising. Among youths aged 12 to 17, use of marijuana rose by 141 per cent between 1992 and 1995.

The tobacco industry says studies in the US and the rest of the world have demonstrated that there is no link between advertising and the propensity to smoke. The most significant factors are peer pressures and the influence of other smokers in the family.

Against this background, the tobacco companies themselves have felt safe in publicly supporting curbs on under-age smoking. Earlier this year Philip Morris, the biggest US tobacco manufacturer, proposed a package of measures similar to those announced on Friday by President Clinton.

But if the tobacco industry has so little to fear from a crackdown on under-age smoking, why did it react so angrily to Mr Clinton's package?

One reason is that some tobacco companies could lose through further restrictions on advertising because it will lead to brand consolidation. If companies cannot promote new or smaller brands, smokers will tend to buy the better known products, such as Philip Morris's Marlboro.

But the bigger factor has little to do with the measures themselves. Rather, it is Mr Clinton's decision to declare nicotine an addictive drug and bring the industry under the jurisdiction of the Food and Drug Administration (FDA), which will make and enforce the new rules.

That decision puts the tobacco industry in dangerous territory, because the FDA is required to ensure that the products it regulates are safe – a test that cigarettes may fail.

Mr Bert Rein, an attorney for Brown & Williamson Tobacco, the US arm of Britain's BAT Industries, says: "The FDA's regulatory regime is basically a ban, no-ban, regime. That doesn't mean they are going to do it today, but they have power under their law and governing statutes that goes all the way to banning the product."

The anti-tobacco lobby says this is just scaremongering. Mr Edward Sweda, senior attorney at Northeastern University's Tobacco Products Liability Project, says: "Prohibition is not at all practical, and no one is proposing it. In fact, it's the tobacco industry and its allies that keep bringing it up in public discussion."

The danger for the tobacco industry, however, is that if the FDA does not ban cigarettes of its own volition, anti-tobacco lobbyists will bring lawsuits demanding that it should do so: and, given the FDA's remit, such lawsuits could succeed.

The tobacco industry is therefore taking legal action to block the president's move. In a federal court in the state of North Carolina, it will argue that FDA jurisdiction over the industry is unlawful and unconstitutional: and Wall Street tobacco analysts say its arguments may well prevail.

Among other things, the industry will argue that it is for Congress to decide whether the industry should be regulated by the FDA, and on at least 20 previous occasions, it has decided against the idea: so the president is defying the will of Congress.

It will also argue that the advertising restrictions are an infringement of its constitutional right to free speech.

The case is likely to drag on for years, during which time the tobacco industry will probably press Congress to pass a law explicitly barring FDA regulation: for this is one battle the industry is determined not to lose.

Curbing under-age smoking

The new Food and Drug Administration rules will:

- Ban cigarette vending machines and self-service displays except in places where under-18s are not allowed, such as nightclubs.
- Require photo identification for anyone under 27 buying tobacco products.
- Ban billboards within 1,000ft of schools and playgrounds.
- Limit all other outdoor and in-store advertising to black-and-white text only.
- Limit advertising in publications with significant under-18 readership to black-and-white text only. (Significant means more than 15% or 2m.)
- Ban sales and gifts of caps, sweatshirts and other products featuring sponsorship of sports and other events. (The corporate name may still be used.)

Insurance market chief executive says delay to recovery programme would be 'devastating'

Lloyd's 'may face further court challenges'

By Christopher Parkes in San Diego

Further legal challenges to Lloyd's can be expected following a landmark court ruling last Friday, embittered US Names said yesterday.

Court moves included likely "pursuit" by the Securities and Exchange Commission, the federal watchdog, and possible consumer fraud action by the Colorado attorney general's office, said Mr Kenneth Chiate, a leading member of the American Names Association, which represents 1,000 Names – individuals whose assets have traditionally supported the insurance market.

Mr Chiate, an ANA board member and chairman of its litigation committee, was speaking after a hurriedly called association meeting which drew 300 members to San Diego in southern California on Saturday. The meeting followed an injunction issued on Friday by Mr Robert Payne, the US district judge, which could stall the Lloyd's recovery project in the US. The decision marks the first time a US court has ruled that Lloyd's falls within the scope of US securities legislation.

Giving evidence in last week's action brought by 93 US Names who claimed they had been offered insufficient information, Mr Ron Sandler, Lloyd's chief executive, said delay would be "devastating" for the recovery programme.

Mr Chiate, a Los Angeles lawyer, scorned Mr Sandler's claims as "pure, unadulterated hogwash". The $315m claimed from 2,700 US investors was dwarfed by the global sums involved and the worldwide tally of some 34,000 Names, he said.

He noted that last week, while Mr Sandler was warning a US court of the dangers of delay, Mr David Rowland, Lloyd's chairman, was saying in London there was no need to worry about the US situation. "If Lloyd's was really concerned it would have taken steps either to delay Friday's injunction or resolve it out of court. It did neither," he said.

ANA, which has already spent $2m on its campaign and which raised a further $100,000 for a court bond at the weekend, was prepared to go on defending its members, Mr Chiate said. "But we would prefer a compromise."

Although Mr Payne's ruling applied to all US investors, extending the deadline for acceptance of the recovery plan until October 30 provided Lloyd's made the necessary disclosures, Mr Chiate said he expected non-ANA members to accept the rescue proposals. "They are either too embarrassed by events or so wealthy that they are indifferent to the cost," he claimed.

Mr Chiate said Friday's ruling was a breakthrough. "It provides US Names with the opportunity of getting information they need and which Lloyd's has refused to provide. We are used to full disclosure in this country."

Editorial Comment, Page 15

Manoeuvres enter final phase

A week ago, the warning from Lloyd's was stark: if a small group of US Names succeeded in getting a US court injunction delaying the insurance market's recovery plan, the impact on Lloyd's would be "devastating" – with dire consequences for the world's insurance industry at large.

Late on Friday, an injunction was indeed issued, by a federal court in Richmond, Virginia. But by yesterday, the world had not fallen around Lloyd's ears. And, to judge by the market's authorities, the £3.2bn ($4.96bn) recovery plan can stick to its timetable, with Names having to accept by noon on Wednesday. Meanwhile, an appeal against the injunction will be heard in Baltimore tomorrow.

The 11th-hour manoeuvring over the restructuring of Lloyd's has entered its final phase, and the time has come for bluffs to be called on both sides.

According to some of the 3,000 US Names, the warnings of catastrophe were intended to browbeat the US courts into accepting Lloyd's arguments. But Judge Robert Payne, in the Richmond hearing, showed no inclination to be swayed. While acknowledging Lloyd's predicament, he concluded that "the irreparable injury that plaintiffs and the other American Names would suffer if their motion is denied significantly outweighs any demonstrated harm to Lloyd's" of issuing the injunction. That said, he extended his ruling to all 3,000 Names, not just the 93 plaintiffs in the case.

Moreover, Judge Payne concluded that – to Lloyd's dismay – the insurance market was covered by US securities law. The result, should the market fail to have the judgment overturned, is that Lloyd's will have to disclose far more information about how Names' liabilities have been calculated.

In addition, the way may have been opened for those Names who reject the recovery plan to sue in US courts under US law, perhaps offering greater redress if they can prove securities fraud.

Lloyd's, meanwhile, contends that the US Names are using a bluff of their own. According to this view, few of them would reject the recovery plan – which offers relief from their full losses – to pursue uncertain action. Rather, they are seeking to strengthen their negotiating position as part of a plan to force Lloyd's to sweeten the deal for them.

Lloyd's has already made concessions to the US Names once, by agreeing to a settlement with the states' securities regulators. This reduced US Names' liabilities in return for a promise that no regulatory action will be taken against the market.

Last night, a further sweetening for US Names was being dismissed as an option by Lloyd's insiders. But it is obvious that some pretty frantic thinking was going on inside Lloyd's headquarters building. Usually the insurance market files returns to the UK Department of Trade and Industry about this time of year verifying its solvency. That timetable is not set precisely but soon Lloyd's is going to have to satisfy regulators – including in the US – that it remains a going concern.

Under Judge Payne's ruling, however, US Names need not worry about such time pressure. The market has been given until September 23 to produce the information required by US securities law. The 3,000 US Names then have another week to pay the money they owe Lloyd's into an escrow account with the court in Richmond, and until October 30 to decide whether to accept the market's plan.

Lloyd's, however, says the judges' demands would be impossible to meet. In an unfortunate metaphor, Mr David Rowland, chairman, said at the weekend the amount of information required would fill the Titanic. That raises the question of whether Lloyd's could proceed with its recovery plans with US Names either left out completely, or at least pondering whether to accept. At best, Lloyd's might need to arrange bridging finance or find other ways of covering the liabilities of US Names to the satisfaction of regulators.

Yesterday the prevailing wisdom at Lloyd's was that – even if the worst happened and Lloyd's lost tomorrow's appeal – some way would be found of keeping the plan on track. The high level of support from the 34,000 Names worldwide was evidence of the momentum behind it.

But Lloyd's is deliberately keeping its cards close to its chest. In seeking to have Friday's ruling overturned it has an incentive to exaggerate the difficulties presented. Its lawyers are likely to argue in Baltimore, once again, that insolvency for the 300-year old institution remains a possibility.

Richard Waters
Ralph Atkins

A series of disasters such as Hurrican Hugo, which hit South Carolina in the US in 1989, also created turmoil at the Lloyd's insurance market encouraging legal action from Names

London's bus stops sing to travellers

By Deborah Hargreaves

Long-suffering London bus commuters will no longer be allowed to wait in silence.

Some 350 bus shelters have been fitted with loudspeakers to blare out adverts while travellers wait for buses. On Wednesday shelters across the capital will be playing Virgin Radio as part of a campaign for the UK-wide station.

Bus shelters will soon be barking too as Walt Disney advertises the video of *101 Dalmations* in 101 shelters nationwide.

Advertisers are exploiting the fact that people spend so long waiting for buses that they are an easy target for a product pitch.

Last week the food company Del Monte announced it would be launching a lemon-smelling shelter to advertise a fruit drink.

"Bus shelter advertising has become much more sexy and attracts clients that would have been unheard of a few years ago like perfume companies," said Mr Vincent Levin, managing director of More O'Ferrall, the UK's leading billboard advertising company.

The Virgin Radio shelters will play music only between 7am and 8pm to avoid disturbing neighbours. They will also have an off-switch.

More O'Ferrall must be sensitive to public and local authority concerns, says Mr Levin.

Lucy Kellaway, Page 8

Decision of US court dismissed as a 'mess'

By Nicholas Denton

British Names who oppose the Lloyd's recovery plan and those who support it share a common belief that the decision by the US district court judge last week will not demolish the plan. But they have come to that conclusions by different routes.

Sir David Berriman, chairman of the Association of Lloyd's Members, dismissed the judgement as "just the sort of mess that American courts can come up with".

Names – the wealthy investors who provide capital for Lloyd's and have until Wednesday to decide to support the rescue plan for the insurance market – are known for the passion of their divisions. Yesterday their reactions were surprisingly uniform.

Both supporters and opponents of the market's recovery scheme said the US decision on Friday was important.

Moderate action groups have taken their tone from Lloyd's management. Mr Ronald Sandler, chief executive of Lloyd's, said earlier that defeat would be "devastating" to the market. Some critics have said Lloyd's was exaggerating the danger in order to win its court battle and encourage rebel Names to compromise. Before other audiences, Lloyd's management, which does not want to alarm regulators, often downplays the threat. Supportive Lloyd's members are putting out a similarly nuanced message.

Mr Damon de Laszlo, chairman of the Feltrim Names' Association, which supports the package, warned of a potential apocalypse. "If they [the rebel US Names] derail the whole process and Lloyd's ceased to trade, that would be a disaster for all Names."

Sir David said compliance with the US order, which calls for Lloyd's to disclose more information to US investors, would be damaging.

However, neither organisation of Names expected the restructuring to fail. Sir David said that the judgment would not overturn the programme.

Mr de Laszlo of Feltrim did not expect the decision, which could force Lloyd's to borrow money, seriously to affect UK investors. "I assume that Lloyd's will continue with the restructuring in the UK. It would be American Names that would suffer most," he said.

Labour accused over takeovers

By David Wighton and William Lewis

The opposition Labour party's plans to make takeovers more difficult will protect inefficient companies and their "fat cat" managers, the governing Conservatives will claim in a publicity campaign next month.

Conservative strategists will focus on Labour's programme for boardroom reform in an effort to bolster their business vote.

Mr Ian Lang, the trade and industry secretary, will highlight Labour's proposal that companies be required to put representatives of their suppliers and staff on the board.

Although the idea does not appear in recent Labour policy documents, Mr Lang is expected to argue that it has not been publicly ditched.

Mr Geoff Hoon, a Labour industry spokesman, accused the government of "lack of leadership" in an area where there is "widespread acceptance across industry" of the need for change. "The point about Labour's industry policy is that we have consulted with industry and are acting on their concerns," he said.

The Conservatives will also attack Labour's proposal that when a bid is referred to the competition authorities, the bidder must show a merger to be positively in the public interest. At present, takeovers are allowed unless shown to be against the public interest.

Tool company signs Simmons royalty deal

By Peter Marsh

Webster & Bennett, one of the most venerable names within the UK machine tool industry, has signed an innovative deal with a US machinery company to share the costs of making and selling a new tool for the aerospace and railway industries.

The company has joined up with Simmons Machine Tool to expand sales of a UK-designed system called Millennium which costs up to £1m and which is geared mainly to export markets.

Simmons will make and sell the Millennium products in north and south America, with Webster & Bennett receiving a royalty on sales.

Mr Ian Exeter, managing director and joint owner of Webster & Bennett, said the deal was a "sensible move" to share the cost of launching the new product. Its design was completed earlier this year after a two-year development costing some £400,000.

Expanding sales of Millennium by the Coventry-based company, with royalties received from the US group, should mean that annual revenues of Webster & Bennett will increase from some £8.5m this year to between £10m and £12m next year, Mr Exeter said.

For Webster & Bennett, set up in Coventry in 1887, the deal is an important part of its effort to re-establish itself after a disastrous period in the early 1990s when the receivership of the Wickman machine tool group, of which it was then part, almost led to its demise.

Webster & Bennett was bought from the receiver in 1992 by Mr Exeter along with S. A. Muller Machines, a Swiss trading company. Both Mr Exeter, who had formerly been joint managing director at Wickman, and S. A. Muller own 50 per cent of the company.

The company's main products, including Millennium, are highly precise and specialised turning and boring machines for use in the military equipment, aerospace and railway industries.

A particular application is refurbishing aircraft engines. Customers include General Electric of the US, GEC-Alsthom, British Airways and Hughes Tool.

Mr Exeter said taking a manufacturing partner early in the sales phase was a way of increasing sales worldwide while reducing the risk.

The Millennium tools sold in north and south America will carry the names both of Webster & Bennett and Simmons. Simmons is known mainly for machine tools specifically for building railway equipment, especially axles.

Six jobs may be created at the factory in Coventry in England's Midlands, bringing the staff count to 56, Mr Exeter said. As recently as the 1960s the company had 2,500 employees.

THIS WEEK

Weighing the good, the bad and the ugly

DATELINE

Johannesburg: Goodwill doesn't last forever. The world is starting to suspect what is wrong with South Africa, says Roger Matthews

Fundamentals in South Africa come in three categories: the good, the bad and the ugly. And the government is increasingly baffled as to why the rest of the world, and an important part of South Africa, does not understand this, and shape their reactions accordingly.

The good fundamentals are predictably much talked about by ministers. They include democracy, a liberal constitution and commitment to improve the lot of the deprived. More immediately, they embrace an expected 3 per cent growth rate this year, inflation that is just about under control, and a macro-economic policy framework broadly welcomed by the business community.

Yet the rand keeps tumbling, and has lost nearly 25 per cent of its value against the dollar since mid-February. Pressure is again increasing on interest rates, and any further rise in the 16 per cent bank rate will exacerbate weakening investor confidence.

Ministers are at a loss for a response. They do not believe they can do what is demanded by the markets, such as scrapping remaining exchange controls, or accelerating the privatisation programme. The first would risk a disastrous outflow of capital, the second would wreck the understanding reached with a suspicious trades union movement. In the short term, not much more can be done.

Even less can be achieved in the short term about the bad fundamentals, essentially the inheritance bequeathed by the National Party and its apartheid policies. These include massive disparities of wealth, continuing racial tensions, poverty, deprivation and unemployment officially measured at more than 34 per cent of the workforce. A start is being made, but ministers know the consequences of apartheid will take generations to overcome.

Much of the ugly flows directly from the bad. Crime has this year forced itself to the top of the national agenda, and – without some sign of a more vigorous official response – will soon begin to threaten those fundamentals of which the government is proud.

The statistical evidence is alarming enough, putting South Africa at the top of the world league for murder and rape. But worse is the growing perception that the government is powerless to act. The Moslem community in Cape Town has taken the law into its own hands by publicly murdering a known gangster, defying the authorities and threatening more direct action nationwide. Even more bizarrely, the gangsters staged their own armed counter demonstration. Dullah Omar, minister of justice, was later forced to abandon his Cape Town home because police could not guarantee his safety.

"I grew up among the gangs. They have been above the law for years," a deputy minister said resignedly. "Until you have a police force in which the people have confidence, you will not get witnesses [or] convictions."

There could not, therefore, be much hope of a significant improvement in the short term.

But the short term is beginning to influence the long term. South Africa's savings rate is so low that little progress will be made in attacking any of the bad or the ugly without a strong and sustained inflow of foreign capital.

Last week the chambers of commerce from South Africa's four largest trading partners warned that violence was damaging foreign investment prospects. That followed the death of a leading German businessman, shot dead at his home in northern Johannesburg by car hijackers. At a subsequent meeting of the German business community, 16 of the 30 senior executives present said they had been the victims of violent crime.

Christoph Kopke, the local head of Daimler-Benz, accused the government of not trying to tackle crime seriously: "It must decide whether its main objective is anarchy or creating employment. If anarchy is the objective, then it is doing a good job."

Tourism, which has the greatest short-term capacity for generating foreign exchange and creating jobs, has already begun to feel the impact, arrivals and hotel occupancy both dipping below last year's levels. Meanwhile, there is growing evidence of skilled South Africans seeking work outside the country.

Ministers might be excused some bewilderment. At the start of the year all looked relatively rosy, with the rand still appreciating in value and the economy poised for stronger growth. The talk then was how many interest rate cuts could be expected in the 12 months ahead.

The African National Congress was also warming to power, confident it had the time to analyse, consult and form democratic structures and policies which would provide the platform for the transformation of society in the decades ahead. But it is an organisation which, by its diverse nature, is ill-equipped to deal with crises.

President Mandela plays his main role as conciliator splendidly, but at 78 cannot cope with all the burdens of office. Thabo Mbeki, his obvious successor, is a skilled diplomat and party strategist, but shows few signs of offering more dynamic leadership.

Mandela has yet to fire anyone on grounds of incompetence, and briefings given by ministers to diplomats and journalists in Cape Town last week underlined how great are the disparities in talent. Old loyalties can be admirable, but like international goodwill they do not last forever. The ANC does not know what is wrong with the world, but the world is starting to suspect what is wrong with South Africa.

The Monday Profile: Tom Bata, Bata Shoe Organisation

Patriarch still on his feet

Tom Bata is a polite and gracious man. He also has strong views on things that matter to him. He urges foreign executives hired by his family's Toronto-based shoe business to become Canadian citizens, and he wants the Bata Shoe Organisation to remain a private company because he and his managers have no time to attend to outside shareholders.

Bata – 82 next month – has especially strong views about shoes. "This is a very, very peculiar business," he said in a recent interview. "We may be in the unique type of business where knowledge of the product is very important."

Czech-born, he inherited the family's industrial conglomerate after his father died in an air crash in 1932. With the help of relatives, he transferred the business to Canada ahead of the Nazi occupation of Czechoslovakia.

His forcefulness transformed Bata into one of the world's biggest footwear makers and retailers. By the late 1980s, Bata employed 70,000 people in 40 shoe factories, tanneries and rubber processing plants, and 6,300 shoe shops around the world. In its heyday, the group produced and sold 300m pairs of shoes a year.

But the last few years have been difficult, and much of the blame has been directed at the man who describes himself as "the interfering patriarch" – Bata himself. The organisation has shed more than a fifth of its retail outlets. A large subsidiary in France has sought bankruptcy protection. And an 800-store chain in the US filed for protection from its creditors last February, less than a week after Bata sold it for a nominal sum. Bata India, with 1,300 outlets, has been in turmoil after big losses.

For decades, Bata had a winning formula: company-owned factories churning out cheap, sturdy shoes sold through Bata shops. The strategy was especially successful in unsophisticated third-world markets where there was little competition.

But the formula became increasingly costly in western Europe and North America, where upstarts such as Nike, LA Gear and Reebok wooed consumers with distinctive brands, flairful marketing, and constant switching of suppliers.

Bata might have dealt with its problems in private, which is how Tom Bata prefers to do things, if not for an internal upheaval. Ironically, the turmoil centred on a team recruited in 1994 and 1995 to sharpen the group's competitive edge. Six of the seven recruits have quit. They include the chief executive, chief financial officer, head of European operations, senior vice-president of human resources and vice-president of business development.

Peter Legg, the former human resources chief, laid the blame squarely at Tom Bata's door in a lawsuit earlier this month. Legg's statement of claim alleged that, despite earlier assurances to the contrary, Tom Bata "was desirous and insistent on continuing to control and direct the day-to-day operations of Bata".

Legg recounted an incident in October 1995 shortly after the replacement of the then chief executive, Stanley Heath, by Rino Rizzo, a long-time Bata employee. "Rizzo outlined his plan for success [which] in substance was a return to the past practice at Bata and in complete disregard for the mandate and plans of the senior executive team. The plan reflected the stated views of Mr Bata who interjected and elaborated on the plan as it was being introduced by Mr Rizzo."

Directors of Bata's holding company, who include several prominent European and North American executives, have commissioned a full review of strategy. The betting is that the review will reach the same conclusions as the recently ousted management team. The question is whether the owners and existing managers will want – or be able – to implement them.

Outsiders also wonder what will happen when Tom Bata finally lets go of the reins. His son, Tom Jr, failed to impress during a seven-year stint as chief executive from 1987 to 1994, while his three daughters sit on the boards of Bata subsidiaries but play no active part in operations.

Much could depend on Tom Sr's Swiss-born wife Sonja – 12 years his junior and every bit as energetic and forceful. Sonja Bata is a director of several outside companies, including Alcan, the aluminium producer.

Tom Bata, who still plays tennis regularly, has no doubt that the family firm will weather the storm. Bata remains a name to be reckoned with in Africa, Latin America and Asia. It has recently broken new ground by starting franchise operations in the Balkans, Middle East and some of the former Soviet republics. And in the US it still owns a strong industrial footwear business.

As Tom Bata himself puts it: "We've had a variety of adjustments, and every time there was a dramatic change the organisation fortunately changed with it."

Bernard Simon

FT GUIDE TO

Life with the utilities regulators

Britain's electricity and gas industry regulators have recently proposed the toughest price controls seen since the privatisation of the two national transmission systems run by the National Grid and British Gas TransCo respectively. Have the regulators been too tough?
Too early to say. The way utilities are regulated in the UK is that you don't know if the regime is too harsh until after the regulatory period ends. Then you can see how much more – or less – revenue the companies made relative to the amount of money the regulator said they could make at the start of the regulatory period. For TransCo this means waiting until 2002, and for the Grid 2001.

Can the companies try to persuade the regulators to go easier on them?
Yes, up to a point. The sequence of events is that the regulator produces proposals which she, or he, claims to be "demanding, but fair". In response the company howls that they are "draconian and unfair". Discussion – the regulators abhor the word negotiation – ensues. The ideal is for the parties to reach a consensus, but the company has the right to seek the adjudication of the Monopolies and Mergers Commission (MMC) if it is not satisfied with the result.

Does the regulator have to back down if the MMC rules in the company's favour?
No. Regulators can then do what they wanted to do in the first place, as long as they have made no procedural mistakes. But to be fair, Clare Spottiswoode, the gas watchdog, has said she will abide by any MMC finding should the TransCo review be referred.

So regulators really are the remote, all-powerful and wholly unaccountable figures that the companies complain about?
Well, that is hardly the view of the watchdogs themselves, Ofgas and Offer. To push through tough reforms, the regulators have found it expedient to cloak themselves in the garb of consumer champions, although Professor Stephen Littlechild, Offer's director-general, looks a little uncomfortable wearing it, and Spottiswoode last week toned down her rhetoric if not her trademark colourful clothes.

The regulators have all commented on high executive pay in the utilities, and have become more attuned to the PR benefits of highlighting the savings to consumers of their actions – even if, as in the case of the Grid, the cuts represent only £1 a quarter to households.

The proposed cuts in gas prices are more substantial, with an average reduction of about £28 a year in 1997, rising to £55 by 2002.

Is the latest round of proposed price cuts politically inspired?
Officially, no. The regulators are independent surrogates for competition in their industries. But government officials have "sat in as observers" in recent talks between British Gas and Ofgas, and ministers have not been shy in seeking to accelerate gas competition, with a promise of lower prices, in the approach to the general election.

Is "populist regulation" in danger of undermining "incentive regulation"?
The idea underlying utilities regulation is that the regulator sets demanding targets, but targets which a good management can beat. The danger of setting unattainable targets is that the company loses money and is unable to meet its capital expenditure requirement. Worse still for the regulator, in the next review he or she may have to sanction a rise in prices. Unless, of course, they leave it for their successor.

Have the regulators at least been consistent in their method of analysis and determination?
In the case of National Grid the company would answer No. It claims that Littlechild has changed his method of calculating the company's assets from one based on the cost of replacing the assets to one based on the "market value" established on the day of the Grid's listing last December. This alleged change results in Littlechild valuing the Grid at £4bn ($6.2bn) instead of £5bn.

What about gas?
British Gas also complains that Ofgas has thrown out the traditional way of valuing TransCo, and in so doing has reduced the value of its asset base from £17bn to £11.7bn. That in turn will result in deep cuts to its allowed revenues, as the rate of return will be calculated on a much lower base.

Are all the regulators meting out the same treatment to the privatised utilities?
No. One big exception is the water industry regulator, Ian Byatt, who as director-general of Ofwat has refused to move the goal posts of the regulatory regime before current price caps next come up for review in 1999.

What is his justification for that?
He argues that tightening the price limits any earlier to reduce the profits made by water companies would undermine the incentives for them to find efficiency savings in the first place.

So he's been soft on the industry?
Well, he has won the praise and confidence of the water companies and institutional investors.

Robert Corzine, Simon Holberton and Leyla Boulton

Stephanie Flanders · Economics Notebook

Cleaning up the global economy

Policymakers must ponder the effects of money laundering

When Commonwealth finance ministers get together in Bermuda next month for their annual meeting, they will be aiming to condemn one of the fastest growing sources of international capital flows and announce efforts to reduce it. That is not exactly what one has come to expect from such gatherings. But then, international money laundering is not usually the thriving multinational business under discussion.

By common agreement, the twin forces of liberalisation and technological innovation have made the global capital market dirtier at the same time as making it larger. There are, of course, no reliable estimates of the amount of ill-gotten gains now finding their way into international capital markets. The more conservative experts say that about $300bn-$500bn is laundered every year. Others believe it is closer to $1,000bn, more than the GDP of most countries.

Official outrage at the creeping contamination of money markets is understandable. But before leaping in to tackle the problem, governments ought to be sure they can answer at least three questions. The first is why, precisely, the business of international money laundering has increased so dramatically. The second is less often discussed: namely, whether governments should, in fact, devote time and energy to the reduction of money laundering rather than concentrating their efforts on the illegal activities that give rise to it. Finally, there is the related question of what, if anything, an international crackdown could hope to achieve.

Several of these issues are discussed in a recent survey of the subject by Vito Tanzi, an economist at the International Monetary Fund. Tanzi starts with the question: why do criminals want to launder their money in the first place? His answer is that people working in large-scale organised crime and drug trafficking tend to earn far more than they can spend, at least in the short term. Ergo, they need to find ways to store their loot so as to preserve its value and – eventually – legitimise it.

The desire to launder assets overseas arises because the volume of money involved, and the concentration of drugs and mafia-related money in a relatively few countries, means that authorities in the loot's country of origin have a better chance of discovering *internal* laundering efforts. The incentive to spirit cash abroad was always there. But the author identifies several recent trends which have made it easier to invest large amounts of anonymous capital without raising suspicion. These include:

● the rapid growth of stock markets in transitional and developing countries with generally lax systems of regulation and supervision.

● the growing share of international capital controlled through companies technically headquartered in tax havens. The Cayman Islands, for example, with a population of 33,000, has more registered companies than citizens, and the islands could boast bank deposits last year of more than $460bn.

● the fact that painful structural reforms in many countries have left them thirsting for private foreign inflows.

"HAND OVER ALL THE MONEY THEN GIVE ME A PAYING IN SLIP."

But is money laundering – as opposed to the crimes which produce it – necessarily such a bad thing? We know that crime, in addition to its well-known social and political impact, has economic costs: it diverts resources from the formal economy. But once the money reaches the laundering stage, the dirty deed has been done. From an economic standpoint, at least, it is not immediately obvious why policymakers should seek to ensure that illegally earned money continues to be invested in illicit activities when it might be ploughed into legal businesses which can be taxed, and will thus support formal-sector growth rather than distort it.

A related argument arises with respect to dirty international capital. The growth in the volume and speed of international financial flows is supposed to have increased global efficiency by attracting funds to the most profitable uses and by raising the penalties of inept macroeconomic policies. One might wonder whether it matters, for these purposes, where large chunks of the money have come from.

Vito Tanzi argues, forcibly, that it does matter, because the distorted incentives at work in the business of recycling illegal funds impose costs of their own. The reason is that, by and large, laundered funds tend to work against the goal of economic efficiency because their distribution is not driven by economic fundamentals, such as differences in after-tax rates of return or real interest rates.

Rather, they move in response to differences in controls and regulations which make money laundering a safer activity in some countries than in others. Thus, global economic efficiency is reduced, not just because of the allocation of resources to crime in the first place but due to the distorted allocation of the proceeds.

So perhaps there are good reasons for the Commonwealth ministers to persevere. But that still leaves the question of what they hope to achieve. The aim of the Bermuda meeting is to agree on a model package of anti-money laundering laws, with each country promising to explore ways of implementing it.

That resembles the approach taken by the OECD financial action task force set up by the G7 group of countries in 1989. But concerted efforts to tighten controls face a "free-rider" problem; they will always increase the attractiveness for a country of being one of a limited number of safe havens.

That poses a difficulty for any agreement intended to include a wide range of developing countries. As Tanzi notes, the fact that money launderers are not fussy about economic fundamentals can help governments continue to pursue lax fiscal and monetary policies if they are equally unfussy about the origin of capital inflows. A pact with the devil, perhaps. But for many countries it may seem more attractive than signing up to a global financial market equivalent of Neighbourhood Watch.

● *Money Laundering and the International Financial System, IMF working paper, May 1996.*

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MANAGEMENT

The Japanese giant has had to redefine its strategy to compete in the digital age, explains **Michiyo Nakamoto**

Sony's defence of the living room

Sony, the Japanese electronics giant, has always exuded an air of self-confidence. With a name that is the best-recognised brand in the US, a proven knack for setting the trend in consumer electronics, a history marked by its achievements in paving new paths for the industry, the inventor of the Walkman and the compact disc, it has had good reason to feel sure of itself.

But as Sony's management looks to the challenges that lie ahead, it will need to muster all the collective self-confidence it can to attain the goal the company has set for itself. In a year in which it celebrated its 50th anniversary, Sony has outlined its ambition to become "the leading maker of consumer electronics in the digital age," as Nobuyuki Idei, Sony's president, puts it.

Idei, who has been at the helm for just a year and a half, is the first to admit the enormous challenges this presents. The ongoing spread of digital technology "will affect our way of making things in very fundamental ways", he says.

Sony's growth from a small company selling transistor radios in war-ravaged Japan to a $4bn (£2.6bn) global business has been the history of the development of consumer electronics using analogue technology. "But after 50 years, the industry which depended on analogue technology is coming to an end," Idei points out.

In the past several years, digital technology has spread through the consumer market in the form of compact discs and MiniDiscs – products which Sony pioneered. But two impending developments, in particular, make it certain that the impact of digital technology on the consumer market will usher in more fundamental changes in future.

For one thing, the shift to digital broadcasting in the European Union, the US and Japan means that the boxes that receive entertainment in the home – TV and radios – will have to become digital. PCs and networks, or information technology, will encroach further into Sony's core business of providing home entertainment, ensuring that digital technology dominates the living room.

This will happen in a big way when the Internet moves from narrow-band to broad-band networks, through cable and satellite, allowing more visual information to speed down the information highway. "The Internet will quickly become more like TV," Idei notes.

These changes, which Idei sees happening rapidly, represent the convergence of information technology and consumer electronics – particularly the audio-visual products which have been at the core of Sony's business.

In the face of what has been a rapid march towards that convergence, Idei recognised that Sony would need to change in order to defend its position in the living room.

He saw a need for a "regeneration" of the company that would enable Sony to be the one to offer the new digital TV services, the games and other home entertainment on the PC and through networks.

"Sony wants to be the company that brings the PC into the home," says Kunitake Ando, president of Sony's information technology company. But to do so it will have to change from an analogue to a digital company.

One of the first steps Idei took towards that objective was to redefine a strategy for Sony in the digital age. He coined the phrase "digital dream kids" to send a message to employees that the company would have to shift the focus of its products from analogue to digital technology.

But making digital consumer products will not be enough to achieve that goal, Idei believes. The company needs to expand into information technology, that is to make and sell PCs which have an undeniably important role in shaping the new age of digital entertainment and participate in online networks.

That decision by Idei led to the establishment of a new IT company within Sony's 10-company structure in Japan and a strengthening of its IT research and development. Earlier this year Sony unveiled the Vaio, an upper-end PC made by Intel, the US semiconductor manufacturer, which will go on the market in the US under the Sony brand this month.

The move into PCs is a gamble for Sony. The company is already deeply involved in the computer business through the peripherals and components it makes, such as monitors, floppy disc drives, CD drives and semiconductors.

However, as far as PCs are concerned, its record has been unimpressive. Sony failed to make inroads into the PC market with an early home-use PC which was developed in the early 1980s under Idei. It has since brought out a palm-top PC, which was dropped after a year, and a work-station, which has a limited market.

Competition in the PC market is already fierce and, consequently, profits are difficult to come by. Critics have questioned what Sony can offer PC users – a market it has little familiarity with. "Sony, unfortunately does not have strength in PCs," concedes Kenji Tamiya, senior managing director in charge of communications. "All the expertise it has in the audio visual world, it is beginning to build up in the PC world."

"The rules of the game are different," adds Ando. "In the audio-visual world, Sony has been a holder of the technology format. But in the IT world not only is Sony a latecomer, and therefore unlikely to be a standard-setter for some time, if ever, it also faces a market in which it is very difficult to differentiate your products from those of your competitors."

At the same time, the digitalisation of Sony cannot be accomplished without some fundamental changes to the corporate culture as well. For one thing, since software will become increasingly important Sony has had to nurture a new kind of engineer who can understand both hardware and software, such as operating software, says Minoru Morio, executive deputy president responsible for technology.

An engineer who designs a video recorder, for example, must also understand the semiconductors that will determine what the video will be able to do and how it will do it. Trying to educate hardware engineers on software "is equivalent to realising a cultural revolution", says Tamiya.

Breaking with age-old habits which have no place in the digital age has also been an important issue, Idei admits. "Past experiences led to unwritten rules about what Sony will or will not do," he says. "For example, since Sony made magneto-optical discs, it was taken for granted that it would not make hard discs which compete. But we have to remove such restrictions."

At the same time, Sony, which has fought its fair share of bitter standards wars and has a reputation for going it alone, acknowledges that it needs to co-operate with others to overcome its weaknesses and to embrace the open culture of the Internet. "My message is that Sony will be open and wants alliances," Idei emphasises.

Furthermore, these changes to the way Sony operates have made it necessary to re-think the corporate identity. "Sony used to make things that were different from those made by everyone else. That is what made a product, a Sony," says Idei. "We ourselves may have come to think that being Sony meant doing something different. But I think this is wrong. I think it is possible to make the same things as everyone else and still make something that is uniquely Sony. For users, what makes something a Sony is that it is good. It is a perception of reliability, good design, sophistication and something slightly unique. In the age of the network, we have to continue to redefine what makes something a Sony," he notes.

Perhaps the biggest risk Sony faces in its gamble may be the impact that its new PC business could have on its image

Whether or not Idei's message to become "digital dream kids" takes hold at Sony will have a crucial bearing in achieving its goal. But perhaps the biggest risk Sony faces in its gamble may be the impact that its new PC business could have on its image.

That image, one of the company's greatest assets, will be more fully exploited in the IT market where products it now sells under other companies' brands will increasingly be sold under the Sony name.

The problem is that Sony is not used to dealing with the kind of customer queries and demands that are a part of life in the computer world. "In the audio-visual market, users expect to be able to use a product as soon as they bring it home. But there is a 15 per cent return ratio in the US PC market. This is unthinkable in the audio visual world," says Ando.

Against such obstacles, Sony nevertheless still feels it needs to be in computers because knowledge of computers and what people want from them will be crucial to maintain its status as the leading provider of home entertainment in the digital age.

"Vaio is an entrance fee," Idei says categorically. Because "if you are not making computers, since change is happening so rapidly, you can't keep up", he explains. "I don't aim to take market share in PCs, but to use the PC as a step to go on to the next step."

Sony's management is also driven by the conviction that their company can be the one to bring the PC into the living room. "Existing PCs do not offer any of the features of a home-use product," says Ando, who admits that he himself finds it difficult to use Windows, the operating system launched by Microsoft which was supposed to make PCs easy to use.

Not only are PCs difficult to use, the quality of the sound and graphics they offer are far below the standards expected from a TV or CD-player.

With its experience in mass-producing consumer products which people find easy to use, its expertise in designing and packaging those products attractively, its knowledge of what consumers want, its global distribution network and, above all, the power of its brand, Sony executives are confident that the company is well-placed to lead the convergence of information technology and consumer electronics by making IT "more fun", as Idei says. "Sony knows the living-room culture," Morio emphasises.

Having defined a future direction for Sony and instigated a cultural revolution within Sony, Idei is preparing to further the company along that route through a number of alliances which he sees as crucial in determining its success in achieving its goal. "The next three years, I think, will be a very exciting time," he says.

PARTNERS

Working Title Films

Film producers Tim Bevan, 38, and Eric Fellner, 34, became partners in Working Title Films in 1992. Since then they have averaged four films a year, with an annual budget of £100m. Their most profitable film was Four Weddings And A Funeral, *which cost $4m (£2.6m) to make and grossed £250m.*

Tim: "After Polygram became involved with Working Title I was looking around for a new partner and Eric was the obvious choice. He'd covered the same ground, in that he knew how to find scripts, raise money and package things up.

He is more laid-back than I am, more socially astute, a better diplomat. I tend to be a bit more aggressive and abrupt. I'm more compulsive, he's more considered, so our personalities complement each other.

We started off doing everything together, then realised there was huge duplication of manpower. There's no point us both being in every single script or cost meeting so we split the films between us. We make the major decisions together, like which films to make, then one of us takes over running the project.

I think we look for different things in a script. I'm certainly more character driven than Eric. At the moment I'm making *Borrowers*, which is a kids' film, and his main picture is *Enemy Within*, with Sharon Stone. Although his is action packed and sounds like a sure bet, they'll both be good.

I have 100 per cent confidence in his ability as a film producer. The brilliant thing about having Eric as a partner is that I can go away for a week and know that he can cover everything."

Eric: "I was in the process of selling Initial Films at the same time Tim was doing his deal with Polygram, so the synchronicity was perfect. We went from being competitors to being partners. It was a bit nerve-wracking at first because Tim had a fearful reputation in the business.

I'm a classic Libran. I like to procrastinate, play devil's advocate and look at every side of a problem before making a decision. Tim is brilliant at being the opposite. In the general day-to-day things I make up my mind quickly, but on the bigger decisions I take forever.

Things like the choice of writer, director and the size of the budget. Sometimes he'll force me into a decision but it helps in that I can take the edge off his excitement about a project.

We won't make a film unless we both feel strongly about it. It's like a marriage in that we never come out and say, 'no, don't do that' we just sent out signs.

Although we have our individual projects, I don't see it in terms of his film or my film, it's always our film. Sometimes I help with the marketing and finance on his and he does the same on mine. Films are like small businesses, albeit $50m ones, so we switch between playing the role of chairman and managing director."

Fiona Lafferty

A gimmick that's a worthwhile tool

Lucy Kellaway

Two rival bits of publicity arrived in my in-tray last week. One is titled "Management tools measure up". The other is called "Take your fad and stuff it". The first is research from the Institute of Management claiming that benchmarking, TQM, re-engineering and all those other fads really do work. Apparently 73 per cent of senior managers in the UK say that companies using these tools are more likely to succeed than those that do not.

The second is an excerpt from a new US management book, *Fad Surfing in the Boardroom* by Eileen Shapiro. She takes the (increasingly popular) view that management gimmicks are being churned out by greedy consultants, while poor confused managers no longer have the courage to make their own decisions.

So who is right? Behind the headlines there turns out to a sorry lack of real dispute. Both sides agree that management tools do have some worth, but they need to be custom-built to suit the particular business. The difference is one of degree, and neither side is particularly convincing. It is no surprise that if you ask managers who have lovingly drawn up their own mission statements and who benchmark everything in sight whether they respect other companies that do likewise, they will say yes.

And as for Shapiro, I note that she is president of a US consulting company. Presumably she does not include her own business solutions in her diatribe. Maybe she regards hers as unique products designed exclusively for each client, and which bear no fancy name. I wonder if she prices them accordingly.

I am sick of the glass ceiling. Sick of it as a clichéd metaphor and doubtful whether it still exists – at least not in the way that all those whingeing women would have us believe. Thus I was pleased to read a letter in the FT last Wednesday from an M.B. Maunsell, a 50-year-old female partner in a firm of solicitors. She argued that if you expect there to be a glass ceiling there will be one. Admittedly it is easier to agree with her if you are in the relatively unsexist worlds of law or journalism. Yet even in other professions I think the time is coming for women to change their approach: stop moaning about the glass ceiling, and concentrate on doing their jobs, fighting their own wars and see what happens.

I depart from M.B. Maunsell when it comes to her recipe for success. Women (and men) will get on, she says, if they treat everybody with courtesy and compassion. A nice idea. Possibly her fellow partners fit that mode. But is your boardroom full of compassionate people with impeccable manners?

In 1993 Clive Thompson wrote a memorable article in the FT about Rentokil's new corporate identity. He explained how he had ignored the advice of the identity experts and refused to change his company's name. Instead he spent 18 months on a process that resulted in a slightly more elegant typeface for the logo which was to be underlined in red. This line, he solemnly told us, emphasised that Rentokil was one word and not meant to be broken down into Rent-to-Kill. Just three years later the company is to change its name to Rentokil Initial. There are further exciting alterations to the logo: not only is the word Initial in blue, but the line underneath is now in black (the company explains that this makes a connection with the royal warrant which is also in black).

Never mind all these lines and colours: the new name is surely the beginning of the end. Rentokil Initial has more syllables in its name than any other stock in the FT-SE 100 with the exception of Grand Metropolitan, and that has proved such a mouthful that everyone calls it GrandMet. I am prepared to bet that in another three years at most it will be called RI Group.

How do you feel about inhaling the synthetic scent of a soft drink as you stand waiting for the bus? Surely it is bad enough having to look at garish posters without having your nose assaulted too? At first I felt indignant but now I have calmed down enough to realise that the scent may be better than the stale urine and exhaust fumes that are the natural aroma of bus shelters.

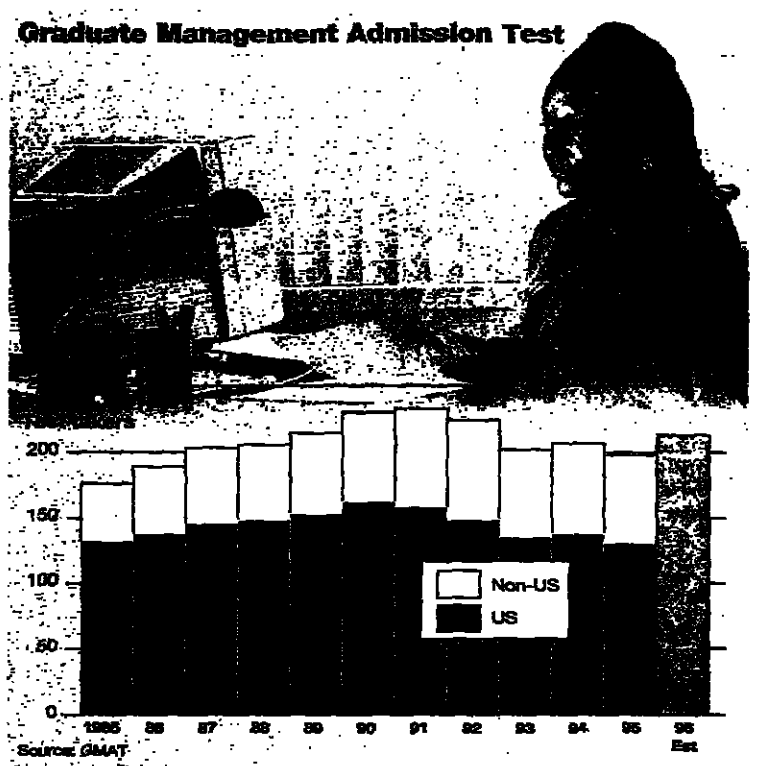
In any case, it turns out that only a dozen London bus stops are going to be scented, and only for a fortnight. It is the same syndrome as Tony Blair's devil eyes: advertisers using gimmicks to create maximum free publicity while spending as little money as possible.

صكنا من الاصل

BUSINESS EDUCATION

Students will soon have to sit the GMAT test at a computer terminal, says **Della Bradshaw**

Testing creates new scores



The GMAT test, widely regarded as the entrance examination for business schools, will soon be transformed from a pen-and-paper test into one delivered by sophisticated high-security computers.

From October 1997, students taking the GMAT, the graduate management admission test (pronounced 'gee-mat'), will have to take the computerised version. The only exception will be in extremely remote areas where severe technical difficulties could disrupt the technology.

And instead of holding the exam on a Saturday morning, four times a year, test centres will have to remain open six days a week throughout the year. "The appeal of this is that students will be able to just phone up and make an appointment," says David Wilson, president and CEO of GMAC, the council which created GMAT.

Others are less enthusiastic. The system adopted by GMAC is computer adaptive testing, where the computer adapts the difficulty of the questions to the ability of the student. So, if the student answers a question correctly, the next question will be slightly harder; if not, the next question will be easier.

This could seriously affect the results for some students, says Eugene Romer, managing director of GTAC Associates, in London, which coaches students to get high GMAT scores.

He advises applicants to first answer all the questions they find easy, and then go back to the ones they find difficult. With adaptive computing it is the computer, not the student, which decides the next question.

"We tell students that the GMAT is a test of how flexible they are in their thinking, but this system will cut down on the choices they have to make and so reduce that," says Romer.

Another drawback for the student will be a yet-undetermined rise in the fees for sitting the test to cover the costs of the expensive equipment. At the moment it costs $84 (£54) to take the test in the US; $94 overseas.

A further consequence is that only a proportion of today's test centres will continue to participate. For example, Richmond, the American International University in London, one of the four test centres in London where some 50 students sit GMAT every quarter, has not yet decided whether to continue. Computerisation will make a "huge difference" to operations and will be "administratively cumbersome", says John Pearson, associate dean of students.

Following several disappointing years during the recession, the number of students taking the GMAT is slowly beginning to rise again. Today the test is taken on 940 sites in 170 countries. "Federal Express absolutely love us," jokes Wilson.

So far only 162 sites outside the US have signed up to administer the computer-based test. However, Wilson is confident that the advantages outweigh the drawbacks. In the past, he says, many students have signed up but missed the test because they were suddenly sent overseas, or were too busy or ill to sit the exam.

With between 50,000 and 75,000 people presently taking the pen-and-paper test at each three-monthly session, the marking procedure takes five weeks to complete. With adaptive computing the results of the multiple-choice part of the test will be available immediately and the essay results will be available in seven to 10 days.

The computers needed for the testing will have to handle the adaptive software and also take a photograph of the student sitting at the terminal.

To prevent a brighter student sitting the examination for a less able colleague, for example, this digital photo will automatically be sent with the GMAT test results to business schools when they request an applicant's score.

Wilson says GMAC has "not yet crafted policy" on how often students will be allowed to sit the test.

NEWS FROM CAMPUS

Insead expands its MBA course

Insead, the international business school based at Fontainebleau, near Paris, is expanding its master of business administration (MBA) course to take on an additional 140 students by next year. The increase is part of a general expansion plan by the business school which includes a 30 per cent increase in research, an additional 13 faculty members and a large building programme.

Insead decided to expand the MBA programme because it was turning away qualified applicants.

This month's intake of MBA students stands at 460, but by next year the number of students should rise to 600.

Insead: France, 1 60 72 40 00

Talking computers master the language

For managers who want to brush up their Spanish, French, Italian or German, the Berlitz *Think and Talk* series has been adapted by Guildsoft into a software package that will run on a Windows-based PC. Speech recognition and playback technology mean the machine can analyse and correct pronunciation.

Guildsoft: UK, (0)1752 895100

How to choose a business school

The UK's Association of MBAs (Amba) has published its 1996-97 *Guide to Business Schools*.

The handbook contains listings of international schools together with school profiles and advice on which course to choose.

Amba: UK, (0)171 837 3375

The first lord of the business school

Economist David Currie, director of the Centre for Economic Forecasting at London Business School, is the first LBS academic to become a baron.

Lord Currie, as he can now call himself, is a former member of the UK Treasury's panel of advisers known as the "wise people".

So far Currie has not revealed what his full title will be: Lord Currie of Regents Park, perhaps?

LBS: UK, (0)171 262 5050

Michael Thompson-Noel • Sport

The Mr Cleans face an uphill struggle

There are good reasons why many drugs are banned in sport. But as the stakes for which sports stars compete spiral higher, the anti-drugs argument is being portrayed as archaic, mainly because it is now said to be impossible to tell who is "clean" and who is not.

Sebastian Coe, the great British runner and world record holder, has been a lifelong enemy of the druggies, and of the biochemists, doctors, coaches and pushers who assist them.

"There are three big objections to drug-taking," Coe once told me. "It's morally wrong – cheating. It's dangerous – people die. And it's unnecessary. Unfortunately, the more sophisticated science gets the more people will be drawn to drugs. We are having to deal with sci-fi chemists who are given a full-time remit to work on better and more undetectable drugs. There is no alternative but to ban for life an athlete who is positively tested."

That was nine years ago, when Coe was still a track star. Since then, things have got blurrier and more complicated, with the biochemists said to be easily outpacing the sports drugs police.

As a result, there are those who maintain that all drugs will have to be legalised if the does-he-doesn't-he debate is to subside.

Dr John Hawley, director of the high performance laboratory at the South African Sports Science Institute in Cape Town, is one of those who claims it is no longer possible to tell who is "clean". In the September issue of *SA Sports Illustrated* Hawley says that whenever a medal winner stands on a podium these days, he doesn't know whether it is the athlete or his or her drugs that are being saluted.

"You can't ignore it," says Hawley. "There's no question that drugs are a big part of today's superior performances. I'm not going to mention any names, but you look at the physiques of those guys: you just don't get pectoral muscles like that from huge bench presses. In the strength and power events I would say that as many as 50 per cent of competitors at the Olympics have used performance enhancing drugs, maybe more."

Perhaps, says Hawley, the only way forward is to legalise the use of steroids and all other enhancers. "Maybe we should just make steroids legal. As unethical and as morally wrong as it sounds, I actually think that's the way to go." That is not an original suggestion. But it is becoming harder for sports authorities to brush it aside as eccentric.

Primo Nebiolo, president of the International Amateur Athletics Federation (the word "amateur" in its name is almost wilfully anachronistic), said last week that athletes who break world records at next year's world (outdoor) championships in Athens would receive a £66,000 bonus. Nebiolo said he had the backing of a sponsor, and that he hoped similar bonuses would be on offer for world records at the world indoor championships, World Cup and IAAF grand prix final.

At present, athletics' richest prizes are those at the privately supported Zurich grand prix meeting, which has a budget of £4m and offers bonuses of £33,000 for world records.

All this prize money is unlikely to encourage athletics stars to fling their pills and potions out of their speeding Mercedes. And here is another thing. Track records (even for the 50km walk) are measured in hundredths of a second. Could I be the only person in the world to imagine that some biochemist is dreaming of a way to lower a world record by 0.01 or 0.02 of a second in a dozen consecutive races? Surely not.

■ Sao Paulo's soccer team took a white flag on to the field for their home match against Bahia in the Brazilian championship the other day, to show support for a peace campaign to protest against city-wide violence.

But as soon as the game started, players set about each other with vim, kicking and elbowing wildly. Bahia were the main culprits. Two players were sent off for fighting. At halftime the referee had to be escorted from the field by police.

In the event, two late goals by Colombian international Victor Hugo Aristizabal gave Sao Paulo a 5-2 win. Aristizabal is immensely cool. "You need to be calm with the ball," he said after the match. "It has to be treated like a woman."

■ *I would hate to sound pluggy, but I bought one of those new snowshoe-framed, super-strung, super-priced* (£199) Dunlop Longbow tennis rackets recently, and it is everything its maker claims. The first time I used it in a competitive match I almost killed my opponent with a second service that flew violently off the centre line, magnifying a small degree of side-spin into a head-chopping ricochet.

As shots flew from my racket to parts of the court I had never thought about before, I started to wonder where the debate about power tennis, which has raged for 30 years, had got to.

So I spoke to a man at Dunlop and then to a man at Slazengers, the two main divisions of Dunlop Slazenger International. Slazengers supplies 34,000 specially-made balls to the Wimbledon tournament, and says it is Europe's leading tennis ball maker. I asked whether its Wimbledon balls this year were the same as last year: that is, slightly less pressurised than of old, to help tame the power freaks in the men's game.

The answer was Yes, though you should not refer to ball "pressure". The correct term is "rate of forward compression" – the way the ball pings off the strings. "Bounciness" would be another word, though not a scientific one. By slightly reducing the bounciness of the balls at Wimbledon, Slazengers has achieved a small reduction in the speed of the ball through the air. (To complicate things, this year's Wimbledon balls were a brighter yellow than hitherto, which may have aided players' speed of reaction).

However, at some tournaments, especially those played on clay, the organisers have been *increasing* the bounciness of the balls. The result – attractive from the players' viewpoint – has been to reduce the speed of grassplay while boosting that of clayplay.

Does this have anything to do with ordinary club players? Not really. So far as I can tell, the racket makers will continue to develop high-tech rackets for you and me, though the emphasis at present is on racket "comfort" and control. However, if tennis at the lower levels started to speed up crazily, all anyone would need to do would be to reduce the bounciness of balls sold to the public.

Meantime, the claim that power tennis is ruining the professional game seems as dead as the dodo.

Invincible and unimpeachable: Olympic track hero Michael Johnson. But how many of his rivals are already on drugs?

Colin Amery • Architecture

It is not too late for visions

News last week that you can now visit your doctor (private) at your local UK railway station is the first clue to the thinking of Railtrack about the way its sees its stations. Rail stations are large and under-used and thus well placed to help the revitalisation of city and town centres. The secretary of state for the environment, John Gummer, has belatedly realised he has to do something about these places, having let market forces remove so much urban vitality to the edge of towns.

His department's most recent planning policy notes are zealous in their hope of encouraging the rejuvenation of town centres. They also take an avuncular view of new architecture in towns, urging sympathy for local vernacular styles and caution concerning radical new designs.

The dog days of August, when many of us find ourselves on a rare visit to a country town or with a little more time on our hands to look about us, are a good time to consider how the built environment comes to look the way it does. The tentacles of the planning bureaucracy reach long and far, but their effectiveness depends on the interpretation of the rules by small committees of local politicians.

Local considerations and attitudes matter, but it is hard to detect consistency about quality of environmental standards. Indeed, it is the lack of informed government leadership and the poverty of direct government patronage in architecture and town planning that prevent a raising of standards. As part of my August reading I have been enjoying a new book, *Gordon Cullen*, by David Gosling (Academy Editions, £45).

Cullen's name probably means little to anyone today. He was an artist and architectural draughtsman who died in 1994 – the inventor of something called "townscape".

He was an architect, but he had the rare gift of being able to look at towns and cities as a whole and make it clear that everything we see is designed, and therefore everything we see can be improved.

This new book is not just a tribute to his unsung genius but also a biography of a man who took on the planning bureaucracy and made it clear that nothing in the built world happens of its own accord. His visionary drawings showed how the planning process can be used to create a beautiful world. They had some effect, but it would take 1,000 Gordon Cullens to end the process of compromise that so often results in mediocrity.

In the book Cullen tackles many of the places that are currently the subject of development: Manchester, Greenwich, St Paul's cathedral precinct, Westminster, the centres of Edinburgh and Glasgow, and London's Docklands. He also analyses several smaller towns and proposes idealistic solutions for imaginary new cities.

His visual intelligence is exactly what is needed in the new climate of concern for cities. His invention of the discipline of "townscaping" brought the visual ideas that great landscape designers used in the 18th century to the city.

Perhaps Cullen was too visionary. His world looks like a world of missed opportunities. But it need not be. In fact, Cullen's time has come, and this book makes his visual thinking available in a way that makes everything seem new and possible.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 25.08.96 Pool purchase price £/MWh	Final Prices for Trading on 28.07.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.98	8.90	10.32
0100	9.05	9.02	9.02
0130	9.03	8.99	8.99
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 26.08.96 Pool purchase price £/MWh	Final Prices for Trading on 29.07.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.96	9.03	9.03
0100	8.94	9.00	9.00
0130	8.86	9.00	9.00
[illegible]	[illegible]	[illegible]	[illegible]

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Abbey Natl Treas 10% Gtd Nts 2000 L100000.0
Tokai Fin (Curacao) Und FRN Y1417213.0
Treasury 10% 2001 £5.0

■ **TOMORROW**
Allied Domecq Fin 6⅞% Gtd Nts 1997 $65.0
Anglian Water 6⅞% Bd 1998 £325.0
Banco Quilmes 12¾% Sb Neg Ob 1999 $637.50
Bisichi Mining 0.75p
British Land 5.77p
Burton 4⅝% Cv Bd 2001 £47.50
Business Dev Bank Can 8⅛% Nts Aug 1997 C$85.0
Canon 4.65% Nts 1997 Y485000.0
Chubb Security 5.8p
Common Bk Aust Dtd FRN Feb 1999 $260.52
Do Dtd FRN Feb 2000 $260.52
Do Und FRN (Feb 1989) $266.75
CS First Boston Fin Gtd Sb FRN Aug 2003 $27.96
Denmark (Kingdom of) 6⅜% Nts 1998 $87.50
Eurocamp 3.75p
Fujita Inv Gtd FRN 1998 $1521.90
Ivory & Sime UK Discovery Tst 1.65p
Kenwood Appliances 6.75p
London Ins Mkt Inv Tst 2.3p
London Pacific $0.11
Lonrho Fin 6% Gtd Cv Bd 2004 £30.0
Do 8% Gtd Cv Bd 2006 £40.0
NKK 6% Nts 1997 Y800000.0
Racal Elec 3.9p
Sanwa Fin Aruba Gtd Sb Perp FRN Ser 3 $823.62
Southern Water 21.6p
3I Int 7⅛% Gtd Bd 2003 £77.50
Throgmorton Tst 0.9p
Throgmorton Pfd Inc Tst 2.2p
Tokyo-Mitsubishi Int FRN 2000 $24961.41
Toray Inds FRN 1997 Y18879.0
Treasury 9¾% 2002 £4.875
Yates Bros Wine Lodges 2.4p

■ **WEDNESDAY AUGUST 28**
Barclays O'seas Inv Gtd Bd 1996 Y60000.0
Brad & Bingley Bldg Scty Sb FRN 2005 £170.30
Denmark (Kingdom of) FRN 1998 £150.82
Elect de France 12⅛% Gtd Ln 2008 £312.50
Halifax Bldg Scty FRN 1997 £158.48
Legal & general Fin 6.84% Bd 2001 £1.71
Do 7% Bd 2001 £7.0
Mitsui OSK Lines FRN 1997 Y20364.0
Murray Int 3p
NT & T 10⅛% Nts 1996 C$106.25
RCO 4.95p
Sanyo Elec FRN 1998 Y20365.0
Slimma 1.3p
Swan (J) 20p
3I 11⅛% Gtd Bd 1996 £112.50
Tokyo Elec Power 8⅛% Nts 1998 $437.50
Tring Int 0.5p

■ **THURSDAY AUGUST 29**
Bank of Montreal C$0.36
Dart 4p
Halifax Bldg Scty Cld FRN 2003 £349.04
Stordata Solutions 0.2p
Temple Bar Inv Tst 6% Cv Un Ln 2002 £3.0
Wellman 1.35p

■ **FRIDAY AUGUST 30**
Abtrust High Inc Tst 1.6p
Allied Irish Banks Und Var Rate Nts $170.63
Azlan 2.6p
Bankers Inv Tst 1.13p
Bank Nova Scotia Fltg Rate Cap Db 2085 $273.23
Bank Scot Und Var Rate Nts $164.31
Brad & Bingley Bldg Scty FRN 1996 $157.73
Cater Allen Gilt & Fixed Inc Fd Ptg Pf 9p
Do Ptg Rd Pf (High Yld Gilt) 2000 20p
Chase Manhattan Fltg Rate Sb Nts 1997 $145.35
City of Oxford Inv Tst 1.3p
Contra-Cyclical Inv Tst 2.25p
Cosalt 3.6p
Danae Inv Tst 4.875p
Durnyat Inv Tst Cv Mnthly Div 0.49p
Dunedin Enterprise Inv Tst 5.8p
Eurotherm 4p
Exmoor Dual Inv Tst 1.6p
FirstBus 3.4p
Geared Inc Inv Tst 1.75p
Glasgow Inc Tst 0.8p
Henderson Highland Tst 1.5p
IFG IR0.5p
Investment Co 1.575p
I & S Optimum Inc Tst 2.55p
Ivory & Sime ISIS Tst Cv Anns 6.64125p
Jasmin Cv Un Ln 1999 85.8219p
Jurys Hotel IR4p
Lloyds Bank Prim Cap Und FRN (Ser 2) $143.77
Do (Ser 3) $271.96
London & Assoc Properties 0.67p
Lucas Inds 6½% Cm 1st Pf 2.275p
Martin Currie Euro Inv Tst 0.73p
Masthead Insurance Underwriting 1.7p
Morgan Grenfell Und Prim Cap FRN $285.94
Nat West Bank Prim Cap FRN Ser C $142.19
OLIM Cv Tst 4.5p
Do Units 13.5p
Prior 3p
Ragby FRN Aug 1997 $14610.56
Do Gtd FRN Oct 1997 $4750.0
Do Gtd FRN 1998 $14610.56
Royal Bank Can Fltg Rate Db 2005 $46.35
Sutcliffe Speakman 0.525p
3I Int Gtd FRN 1999 £156.95
Tinsley Robor 1.5p
TR City of London Tst 1.54p
Do 20% Non-Cm Pf 7p
Do 6% Cm 1st Pf £2.10
Do 6% Non-Cm 2nd Pf 2.1p
TR Technology 7p
Do Units 28p
WT Foods 0.85p
Wells Fargo Fltg Rate Sb Nts 2000 $46.35
Woolwich Bldg Scty Sb FRN 2001 $3632.03

■ **SATURDAY AUGUST 31**
Derby Tst 11.7802p
Ecclesiastical Ins 13% Db 2018 £6.50
Excalibur 11½% Cm Pf 5.75p
Gartmore Brit Inc & Growth Tst Geared Inc 2.1p
Do Units 2.1p
Gartmore Smaller Co's Tst 5% Cm Pf £1.75
Gibbon 7% Cv Pf 3.5p
London & St Lawrence Inv 5% Cm Pf 1.75p
Parkland 4.2% Cm Pf 2.1p
Prowting 14½% Cm Pf 7.25p
RPH 4½% Un Ln 2004/09 £2.25
Do 9% Un Ln 1999/2004 £4.50
TR Far East Inc Tst 7% Db 1997/2002 £3.50

■ **SUNDAY SEPTEMBER 1**
American Gen $0.325
Birmingham Mid Bldg Scty 9⅜% Perm Int Brg £46.875
Treasury 8¾% Ln 1997 £4.375
Coventry Bldg Scty 12⅛% Perm Int Brg £60.625
East Surrey Water 10% Rd Db 1997/99 £5.0
Eurocopy 0.88p
Fleming Inc & Cap Inv Tst 1.3p
Do Units 1.3p
Halifax Bldg Scty 8¾% Perm Int Brg £2187.50
Do 12% Perm Int Brg £3000.0
London (County of) 2½% Cons £0.625
Do 3% Cons £0.75
Low & Bonar 6% 1st Cm Pf 2.1p
Do 6% 2nd Cm Pf 2.1p
Do 5½% 3rd Cm Pf 1.925p
Met Water Board 3% B 1934/2003Mexico 16½% Ln 2008 £8.25
Oldham Met Borough Council 11¼% Rd 2010 £5.625
River Plate & Gen Inv Tst 5% Cm Pf £1.75
Sainsbury (J) 8% Irrd Un Ln £4.0
Schneiders (S) 6% Cm Pf 2.1p
Transcan Pipe 16½% 1st Mtg Pipe Line Bd 2007 8.25p
Witan Inv 8% Db 1996/99 £4.0

UK COMPANIES

■ **TOMORROW**
COMPANY MEETINGS:
Kalamazoo Computers, City Conference Centre, 76, Mark Lane, E.C., 11.30
BOARD MEETINGS:
Interims:
Irish Permanent
Reliax
Sanderson Bramall Motor

■ **WEDNESDAY AUGUST 28**
COMPANY MEETINGS:
Aberforth Split Level Tst, 14, Melville Street, Edinburgh, 12.15
Bucknall, 5, Scotland Street, Birmingham, 12.00
Faupel Trading, Faupel House, Giggs Hill Road, Thames Ditton, Surrey, 11.00
Hartstone, 10, Snow Hill, E.C., 10.00
Martin Currie European Inv Tst, Saltire Court, 20, Castle Terrace, Edinburgh, 12.00
Prior, 34, St James's Street, S.W., 12.00
Swan (John), New Mart Road, Gorgie, Edinburgh, 3.30
Tiflex, Tiflex House, Bellbrook Park, Uckfield, East Sussex, 12.00
BOARD MEETINGS:
Finals:
Beales Hunter
Eaglet Inv Tst
Intelek
Joe
Smith (WH)
Surrey Free Inns
Interims:
Cortworth
Crestcare
Domnick Hunter
Gibbs & Dandy
Guinness Peat
Johnston Press
Provident Financial

■ **THURSDAY AUGUST 29**
COMPANY MEETINGS:
Creighton's Naturally, Water Lane, Storrington, West Sussex, 11.00
Dunedin Enterprise Inv Tst, Saltire Court, 20, Castle Terrace, Edinburgh, 2.30
Richards, 55, Colmore Row, Birmingham, 10.00
Scottish & Newcastle, Sheraton Grand Hotel, 1, Festival Hall, Edinburgh, 11.30
BOARD MEETINGS:
Finals:
Isotron
Interims:
Arnotts
Calebread, Robey
Ladbroke
Lopex
Reckitt & Colman
Rolls-Royce
Serco
Slough Estates
UK Safety
Whitecroft

■ **FRIDAY AUGUST 30**
COMPANY MEETINGS:
Berkeley, Berkeley House, 19, Portsmouth Road, Cobham, Surrey, 10.00
Pelican, 100, Liverpool Street, E.C., 10.00
Prism Leisure, Enfield Hotel, 52, Rowantree, Enfield, Middlesex, 10.00
BOARD MEETINGS:
Finals:
Photo-Me Intl
Interims:
Baillie Gifford Shin Nippon
Clydeport
MacFarlane

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

Saudis rule the high frontier

Progressive princes control the region's satellite TV, says Bassam Elbani

As electronic media start to pervade many cultures, some are showing signs of future shock. Listen to Dr Abdullah Omar Naseef, vice-chairman of the Saudi Shoura Council, the Islamic consultative body that is Saudi Arabia's equivalent of parliament.

"One of the Jewish aims," he says, "is to distract people in general and Muslims in particular from all religious and moral values. They use electronic media to make people totally unaware of what is going on. They disseminate wrong information and flood immoral programmes through different channels of media ... we should screen the material which is coming to our countries. We can adopt the method of Singapore where any Internet data coming in is thoroughly screened by the ministry of information". These claims were made during a recent interview with Saudi Gazette.

Yet such a view is an extreme one. Indeed, the progressive Saudi princes view things quite differently. Far from wanting to restrict access to print and electronic media, they invest in them enthusiastically.

In fact, most pan-Arab print media and satellite television channels are controlled by the Saudis, the loss of diversity throughout the media of the Arab world in the past six years having been remarkable for its speed and thoroughness.

Until 1990, the Arabic press was colourful and representative of the wide spectrum of views in the pan-Arab world. Six years ago, even a casual glance at an Arabic news-stand in London or Paris would have confirmed this.

All these newspapers and magazines (except perhaps one or two Lebanese publications) were in the pay of one Arab regime or another. Indeed, an Arabic news-stand in the west was the only place where all Arab publications could freely market and air opposing views.

Not one of these dozens of newspapers was financially viable, for two reasons. First, hardly any Arab publication could attract enough advertising. After the oil boom years (the 1970s and early 1980s), international advertisers cut Middle East spending dramatically.

Second, there were too many publications in the region for the tiny number of newspapers readers. So Arab publications could not survive without pay-masters. Until the mid-1980s there were four main sources of funding for newspapers in the region: the Saudis, the Iraqis, the Libyans and the Palestine Liberation Organisation (PLO). Then everything started to change.

The PLO was expelled from Lebanon in 1983. Hit by financial hardship, it dropped out of the game. Then the Lockerbie affair of 1989 and the implication of the Libyans in the bombing, which brought a passenger aircraft down on a Scottish hamlet, led to an international embargo against Libya.

Libya stopped financing newspapers that did not rush to her support. Finally, Iraq was forced out of the game in the aftermath of the Gulf war in 1991.

All this left the Saudis dominant in the marketplace. They quickly consolidated their hold on the press, and moved into the satellite television business.

There are two main pan-Arab newspapers. Asharq Al-Awsat, published by Saudi Research and Marketing, and the Al-Hayat newspaper. Both are published in London and printed internationally via satellite, ensuring worldwide same-day sales.

In theory, both papers are independent. In practice, they are owned by members of the Saudi royal family. The former has Prince Salman, the Emir of Riyadh, behind it, while the latter has Prince Khaled Bin Sultan (Saudi commander-in-chief during the Gulf War) as its owner. Each publisher has distribution channels to rival those of any international western publication.

The battle for the sky – satellite television – opened in earnest in 1991 with the launch of the Middle East Broadcasting Centre (MBC) in London. Owned by Sheikh Walid Ali Ibrahim, a brother-in-law of King Fahd, the station tried to maximize viewing figures by offering an enterprising mix of news bulletins, live interviews and other features. Watched by millions of Arabs across the world, it is now the Arab world's leading satellite TV service.

During the last three years, the Saudis have launched other multi-channel satellite TV stations, such as Arab Radio and Television (ART), and Orbit Communications. Based in Italy, each offers film channels, sports, children's programmes and TV shopping.

What is driving the Saudis' campaign for media ownership? Profit is obviously important. Inspired by Ted Turner's CNN and Rupert Murdoch's satellite TV ventures, the Saudis saw an opportunity not to be missed. What made it particularly attractive was that all their media forays to date had entailed losses.

Less obvious but perhaps more important, the Saudis subscribe to the head-of-steam theory of cultural tension.

They see the media as a way to encourage the expression – and defusion – of conflicting aspirations among Saudis of different generations. The young, in particular, may let off steam. The two pan-Arab newspapers, Asharq Al-Awsat and Al-Hayat, are good examples. The former, with its traditional coverage of world affairs and a daily religious page on Islamic issues, represents the conservative view. The latter, with its brighter style and distinct Lebanese influence, represents the younger generation of Saudis impatient for greater freedoms.

The new generation of princes educated in the west recognises a need to gradually change the thinking of the Saudi people, and usher in a more open society. With satellite TV the Saudis have found an ideal way to help attain this end, and perhaps to contain the Moslem fundamentalists. And they appear to be acting with a blessing from the top. The decision to ban dish ownership in the kingdom has not been implemented.

Nevertheless, the Saudis are reluctant to compromise on sensitive issues. Editions of Al-Hayat newspaper and its sister weekly news magazine *Al-Wasat* have been banned for material the Saudis took exception to.

This sensitivity has cost the BBC dear, the corporation being forced to close its Arabic television service last May. An independent BBC channel financed by the Saudis and hoping to reflect a range of conflicting views proved too much for the Saudis.

It is difficult to predict how long Saudi dominance of the Arab media will persist. There are new contenders, such as the recently launched satellite channels of Syria and the privately owned Lebanese Broadcasting Company (LBCI). But these operations will have limited influence: their financial resources only run to one satellite with a small "footprint" (broadcast area) in the Arab world.

Perhaps the Kuwaitis or other Arab Gulf nationals may shatter the Saudis' dominance by launching their own pan-Arab media (the Qataris are about to launch a pan-Arab newspaper in London). But it is the battle for the sky that really matters, and that is a tussle the Saudis are winning.

Tim Jackson

Villena gets wired

Governments worldwide are striking very different attitudes towards the Internet and different policies, from exhortation to outright hostility and censorship, are emerging.

One option, however, seems to be automatically excluded: a policy which one might call the Minitel strategy. Nobody is contemplating an imitation of the programme carried out by France Telecom and the French government in the 1980s, in which computer terminals were distributed either free or far below cost to millions of consumers.

Nobody? Well, not quite. In the Spanish region of Valencia a project is about to start that will have profound effects on public-policy attitudes to the Net. Indeed, it is certain to teach the Net industry a great deal about how and how not to encourage use.

The programme is the unlikely brainchild of a conservative government. It is run by Jose Emilio Cervera, a Spanish businessman turned politician. As part of a project to re-engineer government in the Valencian region, Cervera and his colleagues are about to swamp a small town with Net access.

In December, the 31,000 inhabitants of Villena will be offered free or very low cost PCs with Net access through 128k ISDN lines. ISDN is a high-speed digital transmission system. Local bodies are to put many of their services online, ranging from the planning applications database at the town hall to university lectures and doctors' appointment books. A network of kiosks will allow individuals to pull a smart card from their pocket, plug it into a PC in the street or on a railway platform, and read their e-mail or order a bank transfer.

A total of 10,000 PCs and network PCs are to be installed. Two factors have made this project possible. One is that telecoms, hardware and software companies have all been so excited by what they hope to learn from Villena's experience that they are willing to offer products and services at far below normal commercial prices.

Telefonica, for instance, the local telephone company, will provide free installation and free line rentals for its ISDN service, leaving customers to pay only call charges that are the same as for a simple voice call. (Compare that to the modest and belated ISDN price cuts announced by British Telecom last week). The browsers will be Microsoft's, the integration IBM's, and the servers will come from Oracle and Sun. As a result, the project was planned with a total taxpayers' bill of less than $1.5m (£960,000).

Villena is an interesting choice of town. Its biggest business is producing children's shoes for export, and several local companies are excited about the prospect of putting their wares on the World Wide Web to see whether they can drum up some extra business in the US. What makes the project exciting is that giving away PCs to many households in Villena will solve at a stroke the chicken-and-egg problem that bedevils so many attempts to create online services and the infrastructure to carry them.

Yet there are dangers. The local government has avoided the most obvious, by resisting Telefonica's attempts to steer it towards a dead-end proprietary system instead of a network of intranets and the wider Net. But ISDN is yesterday's technology. The big step-change in Net usage will come when the communications pipes are big enough to carry moving video.

A number of technology prototypes are available that make this possible, some of them based on television cable and others simply on smarter use of existing copper wire. The ISDN choice will prevent Villena from making any serious use of video.

A bigger issue is content. So far, the project has been concentrating on the problems that ISDN installation poses for a creaking telecommunications infrastructure. Once these are resolved, it will be clear that producing information that people want and need is 1,000 times harder than installing the infrastructure.

Building intranets is not like building phone systems, where all the users have to do is pick up the receiver and talk. Sites need to be built; thought needs to be given to what should go online and how; and complex software needs to be written. Even building a system to allow people to book medical appointments could take weeks.

Most worrying, however, is the statist instinct behind the project. The planned electronic shopping system is to be run by the town hall – even though the town hall has not in the past been the first place people went to buy fresh vegetables or meat. Also, the company managing the project, Tissat SA, is a public sector business owned by the regional government. To make the networks valuable, individuals and small businesses must feel they have a personal stake. When the project is being run by bureaucrats from the top down, that will be harder to achieve.

My guess is that the project may be a disappointment. It is unlikely to turn Villena into a new Silicon Valley, with former farmers or hod-carriers starting new careers as $200,000-a-year Java programmers. The network may also go the way of Minitel, with services such as online chat, pornography and games becoming disproportionately popular.

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Next generation of search engines find their feet

Internet use is hampered by the very thing that makes it attractive: its huge glut of information. But two new pieces of software that use artificial intelligence technology will reduce the frustrating hours Net users spend surfing through irrelevant information.

Scott Deerwester, technical director of KDL Interactive, which has launched a new search program, says business users are put off by "the two biggest problems [of the Net]: the quality of the information found and the time it takes". A survey found that 54 per cent of online respondents spent more time searching for information than using it.

Since there is no central Net directory, the only way to find information on a particular topic is to use a search engine – a huge database, continually updated, that lists sites and pages on the World Wide Web. But searches of popular sites such as Yahoo and AltaVista often throw up tens of thousands of pages, picked up by a keyword search. Looking for documents related to ICI, for example, brings up a French page headed Bienvenue ici Marie.

Companies that produce search engines are refining their software. Indeed, two new pieces of software aim to make searches more intuitive. Both link with an existing browser such as Netscape, and both hope to reduce information overload.

AutoNomy, an "intelligent agent" sold by a small British company based in Cambridge, ventures out on its own to search the Web after being told, in plain English, what to look for.

Based on neural network technology, it studies ordinary sentences and picks out the important bits before setting off on its search, which runs in the background while users carry on working.

But as AutoNomy has little knowledge of the Net, it can be extremely slow. A search for "artificial intelligence" brought up only one useful document in half an hour, compared to 220,189 matches – admittedly, mostly irrelevant – on AltaVista. The program should improve, however, because it learns as it goes and remembers the results of previous similar searches.

KDL Interactive's new program, More Like This, takes a completely different approach. Containing filtered information from more than 1m Web pages, it will put the best terms to the database for any search. For example, told to search for "Pope", More Like This brings up pages matching "Eritrea" and "Ansa", too, as Ansa is the Vatican news agency and almost every mention of Eritrea on the Web involves a papal visit.

Brett Moore, KDL's strategic director, hopes users will take advantage of the ability to search for sentences highlighted in other programs such as Word or Excel. "What we are trying to do is to bring the Web into your business workdesk as a tool," he says.

The second version, in development, will add features of more "intelligent" programs. Dr Deerwester, who is writing it, says it will learn different meanings of words as it goes along, so a broker and a fisherman searching for "bank" will get different results.

A trial version of More Like This can be downloaded from *www.morelikethis.com*, while AutoNomy can be obtained from *www.agentware.com*

James Mackintosh

Cyber sightings

● With Bill Clinton and the Democrats arriving in Chicago for their quadrennial jamboree, Ameritech has designed the party's official convention Web site (*www.chicago96.org*). It has a nice range of information and activities, as well as a trivia game and a selection of audio clips. Worth a look.

● Two publications which may prove useful have recently hit the Web: the Vietnam Business Journal (*www.viam.com*) has a good range of information about that burgeoning market, while the Far East Economic Review (*www.feer.com*) is an ambitious, frames-based site at present under construction which promises much.

● Big World Magazine (*http://boss.cpcnet.com/personal/bigworld/bigworld.htm*) is aimed at the independent traveller, and is nicely organised, with an excellent set of links.

● The Creative Education Foundation (*www.cef-cpsi.org*) is "a non-profit organisation dedicated to nurturing creativity, innovation and problem solving in individuals in all walks of life, especially those in business, industry, education, government and the arts". Pretty much runs the gamut, doesn't it? Download the Adobe reader and take a look at what they're up to.

● One Share of Stock Inc (*www.oneshare.com*) is a San-Francisco-based mail order company that will – yes – sell you one share of stock in one of 50 leading US companies, including Walt Disney, Harley-Davidson, Apple Computer or the Boston Celtics, framed or otherwise. Would make a neat gift. (In the US, you can call them toll-free on 1-800-SHARE-11).

● The All-India Association of Industries (*www.sourceindia.com/aiai*) is a group representing manufacturers, traders and marketing and service companies, with the aim of jointly promoting Indian business. Its site is pretty basic for now, and not all the links work, but it is worth keeping an eye on.

● Since I occasionally teach journalism, perhaps I shouldn't be including this site, but if you're a student and you've got assignments coming up, the Term Paper Emporium (*http://cygnus.rsabbs.com/jbapaiftermsl.html*) is a gateway to all manner of free and nearly free term papers on any subject you care to imagine. That the site should exist at all is indicative of the changing nature of education in the digital age. I mention it only because teachers need to keep up with what's going on, too...

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BUSINESS TRAVEL

Travel News · Roger Bray

Central Asia alert

Police in Kyrgyzstan are reported to be carrying out muggings without even changing out of their uniforms. Travellers to the central Asian republic are warned to keep off the streets at night and avoid riding in unofficial taxis.

This is just one of a growing catalogue of hazards facing visitors to former communist countries.

There has been an increase in car theft in the Baltic state of Latvia, where visitors to Riga and other towns are warned to steer clear of unlit streets. And the UK Foreign Office says there is a "serious risk" of theft on trains in Poland, particularly on international services and especially when boarding the trains. Passengers should keep valuables well hidden.

The Foreign Office is also urging caution in the Middle East.

Following the recent riots in Jordan, sparked by bread price rises, it says travellers should avoid Kerak, Tafileh and Ma'an and stay alert in the capital, Amman, where there were also disturbances.

On the cards

A small British airline may pip Swissair to the post with the introduction of in-flight gambling.

Debonair, a low-fare carrier operating from London's Luton airport to a range of European cities, plans to install interactive entertainment systems offering computer blackjack and other games. It expects to have equipped the first of its BAe 146 fleet by October.

Swissair's flying casinos also come as part of a new entertainment package which is being installed on the airline's long-haul aircraft at a total cost of about £50m. Debonair says punters' losses are likely to be restricted to £100 or so, although winnings could run to £1,000.

Greener car hire

Electric cars may now be rented in Vienna. Hertz is offering the Citroën AX Electrique at a daily rate of Sch555 (£34), including collision damage waiver, theft insurance, unlimited mileage and local taxes.

This follows the decision by rival Eurodollar to make the model available in Paris.

Bangkok curbs

Thailand's tourism authorities have launched a new crackdown on touts at Bangkok's international airport.

One of the aims is to prevent travellers being lured into unlicensed and potentially dangerous taxis. The initiative comes from the country's new National Tourism Development Board, a committee of government officials, travel industry reps and academics.

Help for oil barons

Texas oil barons have become increasingly frustrated by congestion on the M25 motorway around London.

Traffic jams have prevented travellers flying into Gatwick from Houston from catching onward connections from Heathrow to Stavanger, the jumping-off point for North Sea platforms. So claims the Norwegian airline Braathens.

"It's a fairly tight connection anyway", says the airline, "but recent roadworks have made it worse".

So the carrier's daily 11am flight between Gatwick and Bergen now also stops at Stavanger, arriving at 1.45pm, and lengthening the journey to Bergen by 40 minutes, although return flights from Bergen are still non-stop.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	27	27	27	29	27
Hong Kong	31	30	27	27	28
London	19	20	20	19	20
Frankfurt	22	24	21	20	20
New York	30	28	28	27	25
L. Angeles	24	22	25	26	26
Milan	28	27	24	24	25
Paris	22	20	21	21	23
Zurich	19	23	20	20	21

Information supplied by Meteo Consult of the Netherlands

Projects to upgrade rail links in the US could lure executives away from the airlines, says **Amon Cohen**

A challenge to the skies

Get me a ticket for an aeroplane. I ain't got time to take a fast train. If memory serves, those were the opening lines to the Box-tops' 1960s hit single, "The Letter". Musical fashions have changed, but travel imperatives in the US have not.

Few US business travellers use trains because there is no high-speed rail network to speak of. A 215-mile journey from New York to Boston takes between four-and-a-half hours and five hours. Compare that with a TGV from Paris to Poitiers, a 208-mile trip which lasts 90 minutes.

But change is in prospect. Work has started on the construction of a $1.3bn (£838.7m) high-speed rail link between Washington DC and Boston that is expected to cut about 25 per cent off existing journey times. The project is one of several in various stages of readiness around the US, including ventures in Florida, Chicago, California and the north-western states.

The latter scheme is perhaps the biggest success so far. Amtrak, the national rail company, has seen passenger numbers grow on its Portland-Seattle line by 42 per cent since introducing a Spanish Talgo train as its fourth daily departure in 1994. Three more Talgos are on order for delivery in early 1998, and the high-speed service is set to be extended across the Canadian border to Vancouver.

"The Talgo shows that if you provide the amenities that people are accustomed to in other parts of the world, demand will increase," says Mark Yachmetz, passenger programmes division chief at the Federal Railroad Administration, the organisation through which the US government provides funds to Amtrak.

The Washington-Boston link, known as the north-east corridor, is due for completion in 1999 and it will allow travel at 150mph. At present, trains operate at 125mph over certain stretches, but do not even reach 100mph between New York and Boston.

The upgraded link will cut journey times for the 236-mile Washington-New York journey from three hours to two-and-a-half hours and the New York-Boston run to three hours.

Furthermore, the 345-seat trains will be equipped with every conceivable facility for business travellers, including laptop computer power points, video entertainment screens, telephones, fax machines and a gourmet dining car.

"There will also be small conference rooms on board, so that business travellers can hold meetings," says Yachmetz. "Any amenity that the business traveller can think of will be available on board, which means this is going to be better than an airline shuttle service."

That is a fair point. The air shuttles on the Washington-New York and New York-Boston routes tend to be no-frills, crowded buses in the sky using equally crowded airports. If one also considers the advantages of travelling from city centre to city centre, Amtrak can expect to start winning market share.

"Once the railways get their act together and develop a faster service, business travellers will take advantage," says Harold Seligman, president of Connecticut-based business travel consultancy Management Alternatives. "It will save them getting to and from the airport and crowding on to planes." However, rail passengers will have to pay for the superior service. "Amtrak's current fare structure is dictated by its airline competitors," says Yachmetz. "Prices are a little less than what they charge, but with the new service the train might be worth a little more."

Yachmetz is confident that higher prices will not deter customers. Feasibility studies have suggested that once journey times are cut, the north-east corridor will generate profits of more than $150m a year.

Up to $400m of the construction costs will be spent electrifying the route: only 156 miles are electrified at present. Additional track work will cost $300m, while the fleet of 18 high-speed trains, known as American Flyers, will cost $450m. The trains will be built by a consortium led by Canadian company Bombardier. Another member is GEC-Alsthom, which makes the French TGVs that are the model for the American Flyer.

A further $180m will be spent on more conventional stock to serve the north-east corridor. Even that, however, is dwarfed by Florida's $5.3bn plan to construct a high-speed rail link between its major main population centres: Miami, Orlando and Tampa.

The state government has long understood that it needs a proper mass transportation system, although at present just two unreliable trains per day potter from Miami to Orlando.

"They are not trains you could get on for a business meeting," admits Charles H. Smith, manager of the high-speed train programme at Florida's department of transportation in Tallahassee. "But we know we have to do something. Our population is set to double to 28m over the next 25 years, and we cannot see our way to building enough highways for all those extra people."

Trains will be equipped with every facility for executives, including video entertainment, telephones and faxes

Florida first investigated a high-speed link 10 years ago when it wanted the entire project financed by the private sector. That did not work out, so now it has embarked on a joint venture with a private consortium in the hope of attracting additional federal funds.

The consortium, known as Florida Overland Express (Fox), again includes GEC-Alsthom and Bombardier. However, Smith says there are some big differences between the state government and Fox over the financing, which could jeopardise the project again. If plans *do* proceed, the Miami-Orlando line is scheduled to open in 2004 and Orlando-Tampa in 2006.

At the Federal Railroad Administration, Mark Yachmetz attributes the rise in interest in rail to congestion on the highways and air routes. Finance is also important. He believes that once a railway is built, it is cheaper to maintain than a highway.

The environmental debate also tends to favour trains. Florida does not want its natural habitats destroyed by more highways, while California is desperate to improve its air quality. Local issues come into play, too. In Boston, Logan airport is rapidly running out of space: the rail link might obviate the need for a new airport.

Europe can also take some credit for the US rail renaissance. "Europe has shown what can be done with a good high-speed transportation system, and motivated people in the US," says Yachmetz.

Poor relation gets richer

It is no longer fair to think of London's Gatwick airport as the poor relation of Heathrow. British Airways has announced plans to launch five new services from Gatwick, to Spain, Portugal, Finland and Scotland. It will also increase the frequency of its flights on some routes, including those to Belgrade, Bucharest, Kiev and Sofia, Roger Bray writes.

The aim is to step up connections with BA's growing network of long-haul services from Gatwick. When it switches Latin American flights there from Heathrow next March, it will also introduce linking flights with Barcelona, Lisbon and Oporto.

Services to Helsinki will start in October, as an extension of the existing Stockholm operation.

● German airline Eurowings plans to start daily services between Dusseldorf and Katowice, a Polish centre of coalmining and heavy industry, on September 2. It already flies to Warsaw from Berlin's Tempelhof airport, to Wroclaw from Frankfurt, and to Krakov and Poznan from Dresden.

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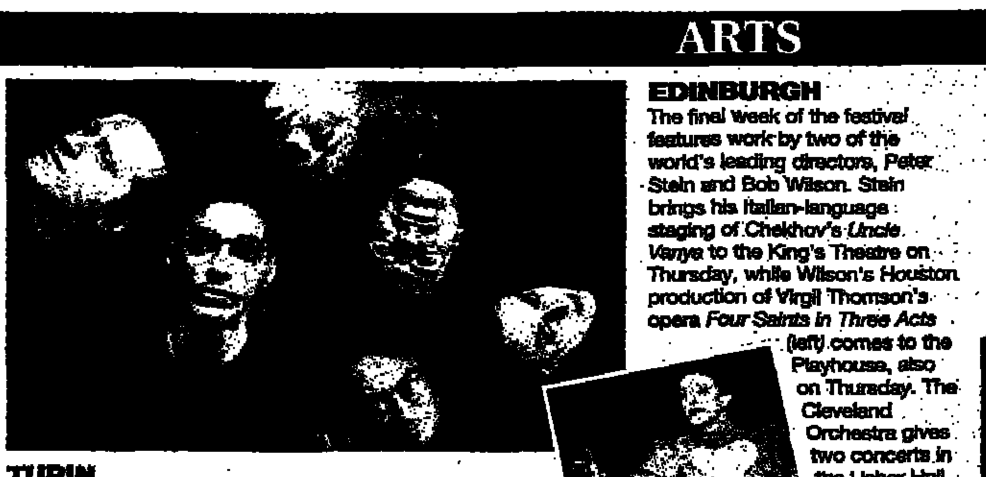
ARTS

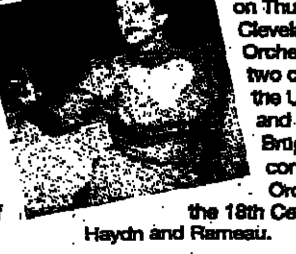
OPENINGS

MATSUMOTO
Matsumoto is home to the Saito Kinen festival, uniting former students of Japan's most influential music teacher, Hideo Saito. This year's events, beginning with an orchestral concert conducted by Seiji Ozawa on Saturday, include a memorial tribute to Japanese composer Toru Takemitsu and a staging of Poulenc's comic opera *Les Mamelles de Tiresias*.

VENICE
The largest collection of Russian icons in western Europe goes on show on Sunday at the Fondazione Cini. The Ambroveneto Collection, supplemented by loans from Russian museums, includes a series of icons illustrating the liturgical calendar of the Russian Orthodox Church. The exhibition runs till November 10.



TURIN
Settembre Musica, Turin's annual music festival, begins on Sunday. This year's highlights include performances by the popular American new music group Bang-on-a-Can (above), a staging of Monteverdi's *Orfeo*, a celebration of Dutch composer Louis Andriessen and concerts by the Academy of St Martin-in-the-Fields conducted by Neville Marriner.



EDINBURGH
The final week of the festival features work by two of the world's leading directors, Peter Stein and Bob Wilson. Stein brings his Italian-language staging of Chekhov's *Uncle Vanya* to the King's Theatre on Thursday, while Wilson's Houston production of Virgil Thomson's opera *Four Saints in Three Acts* (left) comes to the Playhouse, also on Thursday. The Cleveland Orchestra gives two concerts in the Usher Hall, and Frans Brüggen conducts the Orchestra of the 18th Century in Haydn and Rameau.

Anastasia Hille as Silvia and Lennie James as Valentine in The Globe's no-nonsense 'The Two Gentlemen of Verona'

Alastair Muir

Something in the air

The British summer could not dampen spirits at The Globe. By Alastair Macaulay

No addition to either bank of the Thames in recent decades is more surprising than the latest: the new/old Globe Theatre. After years of preparation, this loving reconstruction of Shakespeare's theatre opened its portals to the theatre press on Saturday, for its debut production of *The Two Gentlemen of Verona*, in moist but tolerable weather.

I chose to approach it by walking along Paul's Walk, on the other side of the Thames. From there, the half-timbered polygon looks just as you have been led to think Shakespeare's Globe looked; this is, from so new a building, one surprise. From an angle, which is how most people see it on either side of the river, only a quarter of its circumference appears, and it looks not only small but frail. Only when you view it head-on from the north and see half the circle do you take in its real size. Even so, its lath-and-plaster exterior and squat circular shape appear imperilled by the taller and darker rectangular shapes of the buildings that stand around it, hemming it in. The Globe, in this context, looks like a Tyndale Bible among a stack of glossy road atlases.

Once inside, there are further surprises. As you enter and become part of its audience, the theatre feels like an intimate Albert Hall during the Proms season. Those who choose to stand in the open central area are as much the focus as the stage is; and they are as attentive and responsive as the best prommers. Late arrivals are less disturbing than they are in a darkened theatre. Sudden breezes are sometimes felt; warm clothes or blankets are advisable.

Acoustically, the experience is complex. There is none of the birdsong that is so memorable a part of performances at the Open Air Theatre in Regent's Park, but – on press night, at any rate – none of the aeroplanes either. This is not, however, a good theatre, for there is much peripheral noise. The wooden floors beneath the tiered seats amplify audience movements; the doors to the auditorium are noisy and the plastic or leather rainwear worn by most of the audience lent its supply of rustles and creaks. The actors' voices acquire little of the reverberance that occurs in closed theatres, and there is real pleasure to be had by their simple projection through this open space to us. Not all the cast on Saturday projected vocally well enough, but Mark Rylance, the theatre's artistic director and the premiere production's leading player, shows handsomely how a voice can reach the audience directly without needing any quasi-operatic overblow.

The stage area is much more colourfully decorated than the exterior leads us to expect. Its star-fretted ceiling, with moons in four different stages of growth, is supported by red gilt-topped Corinthian pillars; the rear wall is decorated with rows of cabalistic-looking signs and Italianate figures. And yet the bare-board floor is strewn with hay. There is a large balcony area on which musicians play and some of the action occurs. Is all of this permanent, or will aspects of it be redesigned for later performances?

But how did I enjoy the play? Pretty well. Rylance wants no museum-like reconstruction of past performance style here, and we found none. But much is true to Shakespeare. Jack Shepherd's production is in modern dress and it in no way ever feels like director's theatre. The focus is all on the actors, all of whom played with the freedom of those who feel their only responsibility is to the play and the audience. The pace could have been faster, but this is no-nonsense Shakespeare, in which nothing is trivialised or fudged.

In due course we will discover whether the Globe can draw and hold an audience for some of Shakespeare's longer tragedies. *The Two Gentlemen of Verona*, which is nobody's favourite Shakespeare, proves in fact a sensible play with which to launch the new theatre. Fairly short, it has fun, romance, treachery, and not too intricate a plot.

Mark Rylance as Proteus is exemplary. What an odd and deeply affecting actor this is. He can just look across the stage at a woman and break your heart with his intense sincerity; he can run in a single speech from perplexity, to perfidy, to ardour, with complete assurance; and he can crack the audience up by his embarrassed but throwaway delivery of the line "Well, give her that ring," shortly before his heartfelt but peculiarly unfinished utterance (almost as if it were a question) of the exit line "you shall find me sad and solitary". He seems all heart, and this is what explains his wretched behaviour.

As Silvia – to court whom, Proteus betrays his own betrothed Julia – Anastasia Hille runs a bright, compelling gamut: a brittle and flirtatious socialite with hilarious little half-laughs, then vividly heartbroken and loyal when Valentine has been banished, then bitterly perplexed by Proteus's perfidious suit. She has never been more natural, more multi-faceted or more fine. Lennie James is an engaging, open Valentine, sometimes too slow, but hilarious in his *volte face* with Silvia's letter. Stephanie Roth, an American actress playing Julia, is attractive and very convincing in boy's attire; but she throws away the role's finer moments, especially her final speech of rebuke to Proteus. Jim Bywater's Launce is a Northerner, performing a loveable double-act with his dog, not only hilarious but also touching. In supporting roles, only Ben Walden makes a strong impression.

We know that certain lines in Shakespeare – "this wooden O", "this most excellent canopy the air" – will make more sense when heard in a theatre such as this, and I look forward to hearing them here. One of the Globe's pleasures, however, is that other lines also fall into new place. When Launce and Panthino talk of losing the flood tide, the exchange has an extra buzz to it at the Globe, for we know that the Thames is rising or falling just a few yards away. Where the Bard trod, there tread we.

Only half the fun

Oasis fell flat without their front man, writes Peter Aspden

It was not quite the Rolling Stones without Mick Jagger, but when Noel Gallagher mumbled that his brother Liam was not able to be with us because of a sore throat, the sense of anti-climax was palpable.

Oasis had just performed two triumphant concerts before 250,000 people at Knebworth, thereby proving, if anyone was still in any doubt, that they had mastered the dynamics of mass adulation.

But Friday night's *MTV Unplugged* session at London's Royal Festival Hall before just 400 people should have told us something different: whether the craft which goes into Noel Gallagher's songwriting would come across in an intimate setting in which the band was denied the option of simply turning up the decibels.

We were not to know. Liam was ordered to rest on last-minute doctor's orders, and Noel was left to carry the concert on his own. Although he is an *Unplugged* natural – he cradles his acoustic guitar with the finesse of one who spends long hours in its company – Oasis without their charismatic front man are less than rivetting.

There are two principal reasons. Liam's menacing lurches and well-honed rock star poses on stage provide the only visual focus for the band. Liam is aggressive, outrageous, narcissistic; Noel is dour, intense, charmless. The rest of the band, though musically rock-solid, are content to sit back and watch this fascinating fraternal dialectic work its magic. Stripped of a sibling, the magic just was not there.

But Liam also has a classic rock-and-roll voice, sneering, urgent, self-celebratory; but more than capable of delivering a poignant song like "Wonderwall" or "Live Forever". Noel knows his considerable song-writing talents get the best possible showcase with Liam's delivery; Liam must also realise he would not be touching the firmament of pop superstardom were he left to his own devices. The brothers' celebrated spats are no doubt due to this mutual resentment. Strip away the attitude, and there is the humbling conclusion that they really do need each other.

Thankfully, Noel saved the day. His voice does not do justice to his songs, but he performed with the consummate professionalism which belies his occasional belligerence. The stage was adorned with a string quartet and brass supplements, employed tastefully if unimaginatively, as the band swayed into "Hello".

The set was largely predictable, concentrating on the gentler numbers which are the essence of the acoustic *Unplugged* series, and included a sprinkling of new songs. The highlight of the evening was something of a surprise, however: Noel, backed by nothing but his strumming, performing the hard rocking title track of the *Morning Glory* album.

The strangely subdued crowd gave the band its most enthusiastic reception yet for this, but there was little rapport between Noel and his admirers, unless you counted a waspish reference to "pot-smoking" hippies and an "I'd like to carry on with one that *I* wrote", which gracelessly laboured the point of his songwriting domination.

The strangest moment – and a glimpse of what might have been – came after the band's final number, when fans spotted Liam and his chums in one of the private boxes. Not one to miss a demonstration of public affection, the ailing brother bounded down the aisles and leapt onto the stage, brandishing a bottle which bore scant resemblance to a hot honey-and-lemon drink, acknowledging the fans' cheers before disappearing.

For a moment, you thought he might join the band for a encore; some people chanted his name, others responded with cries of "Noel!", as if they were opposing football teams. But Liam's condition denied the evening its much-needed *coup de théâtre*, and we were back to "Hello", and a bland conclusion to a frustrating evening.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Orchestre Français des Jeunes: with conductor Marek Janowski and violinist Isabelle van Keulen perform works by Ravel, Prokofiev and Lutoslawski; 8.15pm; Aug 28

■ BAYREUTH

OPERA
Bayreuther Festspiele Tel: 49-921-78780
● Die Meistersinger von Nürnberg: by Wagner. Conducted by Daniel Barenboim. Soloists include Birgitta Svenden, Renee Fleming and Peter Seiffert. Part of the Richard Wagner Festspiele: 4pm; Aug 28

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Berliner Sinfonie-Orchester: with conductor Sebastian Weigle perform works by Mozart and Schoenberg; 8pm; Aug 28

EXHIBITION
Berlinische Galerie – Martin-Gropius-Bau Tel: 49-30-254860
● Noch nie gezeigt – Aktuelle Positionen aus den Sammlungsbeständen der Berlinischen Galerie: exhibition of works from the museum's collection, most of which were never before shown to the public. The majority of the works on display was recently added to the museum's collection. The show includes, installations, paintings, photographs, architectural drawings and designs; to Oct 13

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Gürzenich-Orchester: with conductor Alan Hacker and the Kölner Philharmoniker perform works by R. Strauss, Mozart and Dvořák; 8pm; Aug 26, 27

■ COPENHAGEN

CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Tivolis Symfoniorkester: with conductor Eri Klas and viola-player Yuri Bashmet perform works by Schnittke and Tchaikovsky; 7.30pm; Aug 29

■ DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● RTE Concert Orchestra: with conductor Gearóid Grant and presenter Gerry McArdle perform excerpts from The Yeomen of the Guard and The Mikado; 6.30pm; Aug 30

■ EDINBURGH

EXHIBITION
National Gallery of Scotland Tel: 44-131-5568921
● Velázquez in Seville: this exhibition features early works made by Velázquez in his native town Seville, before he moved to Madrid in 1623. The display, comprising 50 works including portraits, prints, drawings and sculpture, is centered on the National Gallery of Scotland's own Velázquez, "An Old Woman Cooking Eggs". Selected works by the artist's contemporaries help to set the historical and artistic context for Velázquez's early paintings; to Oct 20

■ LIVERPOOL

EXHIBITION
Liverpool Museum Tel: 44-151-2070001
● The Arts of the Samurai: 14th-19th Century: this exhibition is drawn from the museum's Japanese collections, which have never previously been displayed. The exhibits consist of Japanese armour, swords, sword-fittings and lacquer work from the collection of local business man Randal Hibbert (1865-1942). The exhibition illustrates the European perception of the Japanese following the opening up of Japan to western trade in 1868; to Aug 28

■ LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● Ingegerd Bjorklund: accompanied by pianist Christopher Lyndon-Gee. The soprano performs songs by Tchaikovsky, Rachmaninov, Grieg and Sibelius; 7.30pm; Aug 28

EXHIBITION
Courtauld Institute Galleries Tel: 44-171- 8732526
● The Four Elements: this exhibition draws together prints and drawings from five centuries to show the Four Elements – Fire, Water, Earth and Air – in mythology and real life. Mixing together artists from different times and traditions, the exhibition contrasts images of classical stories, domestic scenes and the frankly satirical. Included are works from the museum's collection by Manet, Dürer, Guercino, Bruegel, Gauguin, Hieronymous Bosch, Guardi, Rowlandson, Turner, Samuel Palmer, Constable, Piranesi, Tiepolo and others; to Sep 22
Dulwich Picture Gallery Tel: 44-181-6935254
● Dutch Flower Paintings, 1600-1750: this exhibition includes works by Ambrosius Bosschaert, Van Huysum, Rachel Ruysch, Jan Davidsz de Heem and Balthasar van der Ast and are from private collections; to Sep 29
Victoria & Albert Museum Tel: 44-171-9388500
● Susie Cooper (1902-1995): style, affordability and good design were the key attributes of Susie Cooper's tableware. This memorial display shows a cross-section of her work from the Art Deco years of the late 1920s and 30s through the bone china made by her own factory and her late designs of the 1980s; to Sep 15

■ LUCERNE

CONCERT
Kunsthaus Luzern Tel: 41-41-210 35 62
● New York Philharmonic: with conductor Kurt Masur and horn-player Thomas Stacey perform Rorem's English Horn Concerto and Bruckner's Symphony No.4; Aug 28

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● American Printmaking 1860-1900: Winslow Homer and His Contemporaries: an exhibition to complement the Homer painting retrospective by providing a context for the artist's printmaking efforts. Drawn entirely from the museum's collection, Homer printmaking from his early and late career is shown along with works by printmakers active during Homer's career; to Sep 22

■ PARIS

EXHIBITION
Musée Carnavalet Tel: 33-1 42 72 21 13
● Georg Aerni – Panoramas parisiens: exhibition of a series of panoramic views of Paris by the Swiss photographer Georg Aerni; to Sep 29

■ SALZBURG

OPERA
Grosses Festspielhaus Tel: 43-662-80450
● Moses und Aron: by Schoenberg. Conducted by Pierre Boulez and performed by the Koninklijk Concertgebouworkest and the choir of De Nederlandse Opera. Soloists include David Pittman-Jennings, Chris Merritt, Gabriele Fontana, Yvonne Naef, John Graham Hall and Pär Lindskog. Part of the Salzburger Festspiele; 7.30pm; Aug 28

■ WASHINGTON

EXHIBITION
Freer Gallery of the Smithsonian Institution Tel: 1-202-357-2700
● In Human Form: Secular and Divine Images in Chinese Painting: this exhibition examines actual and symbolic images of people as they appear in Chinese painting. The human figure has been the central topic of Chinese painting since the Han Dynasty (206BC-AD220); to Sep 2

WORLD SERVICE
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(Central European Time)

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NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

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COMMENT & ANALYSIS

Where anything goes

ON THE BEATEN TRACK

Ted Bardacke on Thailand's mix of soft adventure and sex

It is well past midnight and Mr Somkid Silaprakob, deputy mayor of Pattaya, Thailand's sprawling beach resort, is speaking at the opening of a beauty contest.

"We really want to thank the organisers of this event of national importance. The over-30 katoey [transsexual] pageant helps with the promotion of tourism among both Thais and foreigners," he says to the audience, a mix of other katoeys and men and women of all sexual preferences. "The more events like these we have, the more we can help good charities like our senior citizens' home."

In its never-ending drive to attract tourist cash, Thailand will do just about anything. Having lost its aura of unspoiled exoticism to neighbouring countries and to over-development, the country now tries to provide something for everyone. And everyone seems to be coming. The country expects to attract 7.3m tourists this year, up 7 per cent over last year and double the number just a decade ago.

About one-third of travellers to Thailand have been there before and uncharted areas of natural beauty and underdevelopment are still to be had for those with knowledge, time and money.

But on the well-beaten tourist track, people are lured by cheap prices, good infrastructure, "soft" adventure such as easy jungle treks, and exotic attractions of a different kind: sex, bear-claw soup and transsexual beauty pageants.

Pattaya is one place where this all comes together. Created as a place for US Navy personnel it was never an untrampled paradise. But now, due to unregulated waste-water discharge and millions of visitors a year, swimming at the main beach is risky at best.

Yet most tourists are not here for the beach. Pattaya is all about activities. There is laser tag – a type of virtual reality combat game – a Ripley's Believe It Or Not museum, elephant rides, bungee jumping and "sea-walking", a sort of scuba-diving for those who can't swim.

"At 6pm we're going bowling and then out dancing. I think. The hotel has a nursery service," says Betty, a member of a group of young families from New Zealand on holiday in Pattaya. "Then tomorrow we're going water-skiing and in the afternoon we're going to shoot each other again in paintball," she says as she sips a beer.

Betty and her group are not in Pattaya for the commercial sex, but some men are. The Pattaya Mail, the resort's weekly English language newspaper, boasts a grotesque photo of a naked 46-year-old Belgian man, caught with a 13-year-old boy, also naked, in a Tourist Police sting operation.

And on the way out of town, past a strip of bars and brothels, The Lovely Motel invites tourists to enquire about weekly, daily and hourly rates. "Just because they choose the weekly deal, doesn't mean they're not bringing girls in," the manager says. "People come to Thailand to have fun."

Back in Bangkok, the Erawan Shrine is pulsing with energy. It is a regular stop for the fastest growing segment of Thailand's tourism trade, cut-rate package tours for visitors from north Asia, principally Japan, Korea, China, Hong Kong and Taiwan, who account for 36 per cent of all visitors to Thailand.

An elephant lumbers by – this is the only part of the street not dominated by shopping malls – while traditional dancers move gracefully to the sound of drums and cymbals inside the shrine. The shrine's centre is dominated by a small four-faced Brahma deity. The Asian tourists, descending in hordes from tour buses, are told that the god is a provider of wealth, provided they make offerings of incense and flowers sold by a gaggle of disabled people nearby.

Similar scenes, a slice of "traditional" Thai culture, can be found all over Bangkok, but this one is a favourite because the incense and flower vendors are willing to pay high commissions to the tour operators.

Five days in Thailand – including hotel, meals and sightseeing – can cost an Asian package tourist no more than $110 (£70.51). The wholesale tour companies take a loss on these groups, relying instead on individual guides to buy each tourist for Bt500 (£12.82), guides say. The guide then makes the money back by leading the groups to shops and vendors who will pay at least 40 per cent commission.

This helps explain the dozens of buses double-parked on the streets outside Wat Pho, home of a giant reclining Buddha and centre of a brisk trade in supposedly magic Buddhist amulets. Each tourist wears an identification badge and vendors make careful notes of who is buying what.

One morning a group of male Korean tourists leaves Wat Pho in their bus. They cross the Chao Phraya river and go into a complex that includes a Chinese restaurant, a karaoke club and a massage parlour. They are led straight to the massage parlour. "Got to get them hungry before lunch," the bus driver explains with a smile.

Having convinced their charges that it is okay to indulge in Thailand, some guides make their biggest profits by leading tours to restaurants, not included in the tour price, where such delicacies as bird's nest and bear claw soups are served at astronomical prices.

Korean and Thai officials say they are outraged. "We are hunting down those who travelled abroad to eat wild animals, gambling, seeking prostitutes and shopping for luxury goods," Mr Yu Song-Su, a Korean police investigator, said recently after a group of Thais and Koreans were caught in Bangkok transporting bear parts.

"Thailand is a Buddhist country and such activities hurt the feelings of Thai people," says Mr Seree Wangphaichit, governor of the Tourism Authority of Thailand. But Buddhism can also mean tolerance, and in the end that is what Thailand continues to sell with great success.

This is the fifth in a series on places changed by mass tourism


Sight for sore eyes: tourists throng Bangkok's Grand Palace

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com
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Deregulate to clear the skies for freight

From Lord Younger of Prestwick and others.

Sir, We note your article "UK rejects open skies plan", (August 20) and the problems which may make an overall UK/US agreement difficult to achieve. However, we believe that there is an opportunity to make progress on one issue which would benefit UK business.

The UK approach has been to view air passenger and cargo-only air freight traffic as inseparable issues and to treat the latter as a "bargaining chip" to seek concessions from the US on passenger traffic.

Bilateral negotiations may be appropriate for air passengers who, generally, go from A to B and then return to A. Both A and B then have similar interests.

Freight travels in only one direction, in this case predominantly from west to east. A and B have different interests. A (the US) has a primary interest in access for its international carriers. B (the UK) has a primary interest in securing a full range of freight services for the movement of goods to and from the UK. In the UK, the airlines and not British industry have been treated as if they represented the primary interest. In the case of freight, this is wrong.

At present a freight carrier landing at a UK airport from the US cannot take on freight for delivery to another airport in, say, the EU, unless awarded specific UK government approval. This is a lengthy process. Consequently, carriers cannot make the most efficient use of their aircraft.

This is a serious matter when the principles of "just in time" and "time to market" delivery are increasingly important in meeting consumer demand. Freight is part of the manufacturing process; passengers are not. UK industry needs the range of international freight services which would be provided by deregulation.

The UK authorities will not be able to use its regulation of cargo-only traffic to wring concessions on passenger traffic. US airlines want enhanced access to Heathrow and will not be fobbed off with anything less.

On the other hand, we believe the US authorities would agree to UK freight carriers enjoying the necessary Fifth Freedom rights in the US, for reciprocal treatment of US carriers in the UK.

Deregulation would:
- Allow freight companies to utilise their aircraft more efficiently with cost benefits for UK manufacturers;
- Expand the range of all-cargo services available to UK companies;
- Increase international trading opportunities; and
- Encourage the development of freight services and the attraction of foreign direct investment.

In short, policy would be driven by the industrial and trading interests of the UK.

George Younger, president, The Scottish Council Development and Industry, Sir Donald MacKay, chairman, Scottish Enterprise, George Bennett, chairman, Scottish Electronics Forum, Iain McMillan, director, CBI Scotland, Geoffrey Johnston, managing director, Scottish Chambers of Commerce Scottish Enterprise, 120 Bothwell Street, Glasgow G2 7JP, UK

Collective values of the young

From Ms Jo Gardiner.

Sir, The Trades Union Congress's report ("Young workers know little about trade unions", August 22) into young workers confirms some of the findings of recent research by the Industrial Society.

Even if "Thatcher's children" seem uncommitted as far as trade unions are concerned, they have not rejected collective values altogether. Indeed, there is a high level of concern about crime, work opportunities and the environment across young people from all backgrounds.

But the TUC's finding that only two in five young workers are likely to vote in the next election is deeply worrying. Today's young people are tomorrow's employees, managers, entrepreneurs, community leaders and parents. They need to feel that they can influence and make a contribution to politics and policy-making.

We risk building a society of marginalised, cynical people who feel their energy and talents may go unused and unrewarded. The TUC's report highlights a challenge – and an opportunity – for trade unions and employers alike. A greater effort is required to educate and convince tomorrow's employees and employers about the importance of representation and involvement at work.

Jo Gardiner, campaign manager, The Industrial Society, 48 Bryanston Square, London W1H 7LN, UK

No butts please

From Mrs Inga Haag.

Sir, It appears that the British are among those in the European Union with the longest working hours, i.e. 39 hours.

Passing by several offices three or four times a day during working hours, I assume that these include the smoking breaks, as there are always groups of employees outside puffing away and scattering their cigarette butts all over the pavement.

By lunchtime our otherwise well-kept streets are strewn with stubs. These get stuck between pavement stones and withstand the broom and the high-tech vacuum cleaning equipment of Westminster street services.

Would it be asking too much to request the managers of these offices to provide for their smoking staff an easy-to-empty ash can during the al fresco smoking day?

Inga Haag, 1 Upper Wimpole Street, London W1M 7TD, UK

Help for North and South Korea

From Mr David H. W. Grub.

Sir, Your call for foresight and magnanimity ("South Korea and the North", August 21) could not be more timely.

It is in everyone's interest that North and South adopt a dignified and long-term stance: many more thousands will otherwise suffer and the unrest is not likely to be contained.

We recently delivered food aid to the North. A second delivery of flour is on its way. We witnessed the initial supply being safely delivered to needy people.

When Russian and Chinese support for North Korea dried up, it was already down to the wire. Investment in agriculture, the schools system, the infrastructure, all need to take place now.

The prospects for the next harvest are not good. Another flood could prove unbearable. Practical co-operation from the South but indeed the wider world is of crucial importance.

Practical assistance can do more than anything else to move us on from the present mindset and begin to unify aspirations.

David H. W. Grub, executive director, Children's Aid Direct, 82 Caversham Road, Reading, UK

Personal View • Michael Grade

A bad programme for TV

If Channel 4 were privatised it would diminish the service to consumers

Talk of privatising Channel 4 has moved from merchant bankers' dining rooms to tea-trolleys inside the Treasury. This seems to be exciting two questions: who on earth owns Channel 4 and, more urgently, how much is it worth?

Channel 4 is in fact a statutory corporation. It is also a self-sufficient business providing competition for advertisers and public-service programming for viewers without a halfpenny of public money. Although technically in the public sector, Channel 4 is in no sense a nationalised industry. If for some presently unforeseen reason a change is required, privatisation would be entirely the wrong route to take. I will come to the "how much?" question, but first I must record why Sir Michael Bishop, the chairman of Channel 4, the board, executives and staff are opposed to privatisation.

If it offered more competition, more choice, and greater efficiency, there would indeed be a case. But this privatisation can deliver none of these objectives. Channel 4 is not some bloated state monopoly, ready for the brisk tonic of the market. It is part of a highly competitive sector, where it has set new benchmarks for efficiency, pioneering the publisher-broadcaster model, now much imitated. No gains here.

Privatisation would penalise, not benefit, the consumer: it would diminish the programme service, both in range and quality. Channel 4 *could* simply have been ITV2, but instead the 1981 Broadcasting Act charged it with a statutory remit to innovate, and to provide programmes unlikely to be supplied by ITV. Margaret Thatcher's government recognised that there is significant market failure in commercial television. Maximising profitability means maximising the value of every minute of the inventory of advertising airtime. Advertisers' and shareholders' interests demand the biggest audiences, even though this narrows viewer choice. You must play to win every time slot, you must avoid risk, experiments and unpredictability.

In the US, the free-to-air networks produce a narrow range of identical material, aiming always for the biggest audiences. The competitive drive to offer the same, safe product is the defining characteristic. You will search forever for serious documentaries, education or arts on the American networks. In the UK the repackaging and exploitation of known commodities such as sport and movies drive BSkyB's profitability.

The market alone cannot reliably satisfy the full range of viewer interests, because it makes overwhelming commercial sense to concentrate on the most profitable areas. As competition increases, that becomes *more* not less so; Channel 5 will follow this very same path. It is precisely why the Channel 4 remit is essential to maintain and extend choice.

The market alone cannot satisfy the full range of viewer interests, because it makes commercial sense to concentrate just on the most profitable areas

That was the intention of the 1981 act, and it is exactly what has happened. Channel 4 has gained an 11 per cent share of viewing – big enough to be viable, small enough to be distinctive – and has manifestly added to choice. In 1989 Mrs Thatcher carefully considered privatisation, but rejected it. There were no competitive or efficiency gains to be had, and a clear downside for the consumer. (She also saw merit in public-service competition for the BBC).

It is argued that the industry regulator, the Independent Television Commission, with its armoury of financial sanctions, could guarantee the delivery of the special remit as a core condition for a privatised Channel 4. Not so. Since 1982 the programme remit has been a joint objective shared by the board of Channel 4 and the regulator. After privatisation, that remit would become a battleground. The board would rightly see the shareholders, not the remit, as its first responsibility. That duty would lead the management (doubtless shareholders themselves) to raid programme and development budgets to boost profits.

The remit would thus become a tiresome hurdle to leap, but without a millimetre to spare. As with ITV, pressure to relax the licence would be increased, and less profitable programmes cancelled or moved (remember the *News at Ten* row?), irrespective of viewer preferences – in order, quite properly, to maximise shareholder returns.

It will be suggested that a much tighter, detailed licence could prevent this. Certainly the ITV companies would love to reduce Channel 4's competitive edge by seeing it handicapped with a ragbag of detailed, uncompetitive scheduling obligations. But it is no more sensible to pre-define Channel 4's programming than to prescribe British Airways' schedules. In television, detailed prescription is the enemy of innovation, Channel 4's very purpose: it would greatly reduce its income and worth. A strange prospectus for privatisation.

To claim that the remit would survive privatisation is either naive or dishonest. It would not. The only honest approach is to admit that a one-off Treasury "bank raid" can only be executed by making Channel 4 just another commercial network like ITV or Channel 5.

That is why the privatised "value" of Channel 4 is irrelevant. The sale could not happen without destroying the existing asset. I have seen some very odd figures ascribed to the purported value of Channel 4. The rumoured privatisation receipts of £1.5bn to £2bn are absurd. In March 1996, well before the privatisation kite flew, we submitted our business plan (up to 2002) to the Department of National Heritage in support of our case to end the ludicrous "funding formula" subsidy to ITV. Applying one simple measure to these figures – a strict discounted cashflow basis – the range is more like £150m to £200m.

Privatised, the business is worth even less since the Treasury would require an annual payment, as with ITV, for the use of the spectrum for shareholder gain. And the greater the efforts to prop up the remit by detailed licence requirements, the lower the value.

In truth, no valuation justifies the damage to the service. The board of Channel 4 has always embraced change but is implacably opposed to privatisation. Not because of hostility to the competitive marketplace and its disciplines: we already embrace them. Not because we fear accountability to shareholders: like the ITV companies we are accountable to the ITC. We are opposed simply because privatisation offers a rotten deal for viewers.

The author is chief executive of Channel 4

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FINANCIAL TIMES

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Lloyd's at the brink

Lloyd's of London's recovery plan was always likely to be a cliffhanger. There are still plenty of disgruntled Names, especially in the US, and they are ready to throw spanners into the works until the last possible moment. And there is brinkmanship on both sides.

Lloyd's has to encourage Names to accept the refinancing offer, and so has every incentive to present the choice in the starkest possible terms. If the plan is accepted, new Lloyd's sails off to a prosperous future, whereas if it is rejected, the market closes its doors.

Even so, Friday night's ruling by a US federal court judge represents a serious setback to the plan. Without this ruling, it seemed certain that by this Wednesday's deadline more than enough Names would have accepted the settlement offer for Lloyd's to announce that the refinancing plan was viable.

From that would follow other crucial decisions. The Council of Lloyd's would be confident that the market remained a going concern. And the UK Department of Trade and Industry would not have to think too hard about whether the market passed the relevant solvency tests, which are due to be made in the next few weeks.

Lloyd's is still going to be able to report a gratifyingly high proportion of acceptances after Wednesday's deadline. But what is now thrown into doubt is the treatment of its 3,000 US Names. If upheld, Friday's ruling will in effect put the scheme on ice in the US for a dangerously long period of time.

Required detail

At the heart of the US court judgment is the ruling that Names must be given substantially more financial information before they make up their minds. But Lloyd's says it simply cannot come up with the required detail within the necessary timeframe.

For obvious reasons, it is not prepared to discuss what steps it might take if loses its appeal against Friday night's ruling. It cannot put a fence around the US Names, since they are inextricably tied into every syndicate in the market.

One possibility might be some form of bridging finance to cover the £160m or so which the US membership has to contribute to the plan. But that would fundamentally change the structure of the package, to the extent that all the numbers might have to be reassessed.

Why should anyone outside the market care much if Lloyd's lives or dies? In the last decade, it has often looked like a rotten apple which might just as well be allowed to fall off the tree.

Viable future

The answer is that new Lloyd's, with its past horrors out of the way, does have a viable future. The market is profitable, and has attracted significant amounts of fresh capital. It remains a very important component of the City of London, and its survival matters to the international insurance community as well – as demonstrated by the way it continued to attract business through its darkest days.

So three things need to happen now. Those Names who have not yet accepted their settlement offers should do so immediately. Every case is different, but they would need overriding objections to stay out at this stage.

Next, the Lloyd's authorities have to do all they can to get this ruling overturned, while polishing up contingency plans in case they fail.

Finally, international and US state regulators need to keep a steady nerve, and to maintain open lines of communication among themselves. Without this, there is a risk that the agreements already reached could start to unravel. If the Securities and Exchange Commission disagrees with Friday's ruling that the Lloyd's plan should be covered by US securities laws, it should say so.

After all, it would be the ultimate irony if Lloyd's – having been brought to its knees in part by US litigation – should be given the knockout blow by the contested ruling of a US court.

In search of a Clinton agenda

The opening of the Democratic convention in Chicago today sees Mr Bill Clinton within sight of his ambition to become the first Democratic president since Franklin Roosevelt to win two terms in the White House. But the convention also sets Mr Clinton the task of articulating a coherent programme for the next four years.

The outcome of the November presidential election cannot yet be taken for granted. The Republican party convention in San Diego provided a visible boost to Mr Bob Dole's standing in the opinion polls. The ghosts of the Whitewater scandal in Mr Clinton's native Arkansas still haunt the president. But the signs are that he is already rebuilding his lead over Mr Dole. Mr Ross Perot seems more likely to damage the Republican than the Democratic cause. So, for all the debate about his "character", Mr Clinton remains the firm favourite.

The convention itself is expected to hold few surprises. America has changed and the Democrats have learned much since the rioting which scarred their last gathering in the Windy City in 1968. Mayor Daley's cops are still around, but their batons have been replaced by smiles.

Mr Clinton can expect grumbling from the liberal wing of his party, after putting his signature last week to a welfare bill which removes one of the central planks of the New Deal. But the convention choreographers appear confident of keeping the controversy off the airwaves.

Activist president

Mr Clinton's intention is to present himself as the activist president. His ratification of welfare reform last week was accompanied by an increase in the minimum wage, changes in health insurance and a new assault on the US tobacco industry. In a five-state sweep through middle America before arriving in Chicago on Wednesday, he is promising a further flurry of populist initiatives on issues like crime and education.

Ironically though, the strength of his campaign so far has rested on his record. The big mistakes of his first two years in the White House have been obscured by the subsequent skill with which he has co-opted many of the policies of moderate Republicans.

The US can boast an enviable economic performance. Growth has been steady and, under the careful watch of Mr Alan Greenspan at the Federal Reserve, inflation has remained low. Some 10m new jobs have been created since 1992 and the budget deficit has been halved. Mr Clinton has had his share of good luck, but that will not prevent him grabbing the credit.

Familiar themes

The president can also stake a claim to a bigger shift in American politics. His support for a balanced budget by 2002 has swung the Democrats behind fiscal conservatism. The "big government" dreams of the old Democrats, still there during the first years of Mr Clinton's presidency, have been broken.

That leaves the future. In a new book he dwells on the familiar themes of responsibility, community and opportunity. Education will be a central theme of his campaign. But Mr Clinton the realist has yet to set out a programme which distinguishes between activism and big government. Mr Dole will make much of the Republican charge that once re-elected, Mr Clinton would revert to his bad old Democrat ways.

There are question marks, too, over foreign policy. After a stumbling start which ended in humiliation in Somalia, Mr Clinton has shown a steadier hand. But it remains uncertain whether he would follow in the wake of previous second-term presidents in making foreign affairs his priority. If he is to seek the initiative on the world stage, he must set achievable goals.

This presidential campaign will mark the last for a politician who has been fighting elections for all of his adult life. The US is not alone in wanting to know what comes next.

How high can the eagle fly?

The growth rate of the US economy is a hot political topic, and doubts over statistics add to the confusion, says Michael Prowse

How fast can the US economy grow? This deceptively simple question is becoming one of the most contentious issues in this year's presidential race.

The White House maintains that the economy's recent performance – annual growth of 2.5 per cent – is about the best that can be achieved. In fact President Bill Clinton's advisers are projecting slightly slower growth of 2.3 per cent for the remainder of this decade and beyond, reflecting the maturity of the business cycle.

Sensing a political opportunity, Mr Bob Dole, the Republican challenger, dismisses Mr Clinton's performance and projections as "anaemic". Under Mr Clinton, he wrote in his economic plan, "we have entered a new era of diminished expectations – an era when we are told that we can't even match the progress of the past, much less compete with the most dynamic economies in the world".

Republicans, says Mr Dole, reject such pessimism. They believe "America can do better". If elected, he and Mr Jack Kemp, his running mate, would set an ambitious growth target of 3.5 per cent a year. They would put wages back on a upward track and dispel the economic anxiety of the middle classes.

It sounds like a rousing campaign message. Indeed, Mr Dole's complaints about Mr Clinton's lacklustre performance are echoed by many left-of-centre Democrats who also believe faster growth is feasible.

It is easy to see why many Americans are unimpressed by the recent recovery. The low unemployment rate and the 10m new jobs created in the past four years are largely taken for granted. People still recall electrifying bursts of growth: in the expansion of the 1960s annual growth was 6 per cent or more in three separate years and averaged about 4.5 per cent.

In 1984 – the year President Ronald Reagan was running for re-election – growth surged to 6.8 per cent. Between 1982 and 1989 growth averaged 3.75 per cent and dipped below 3 per cent in only one year. By contrast, in the present expansion growth has exceeded 3 per cent on only one occasion – 1994 – and then only by half a percentage point.

In simple accounting terms, the decline in the US growth rate is readily explained. Output growth can be split into two factors: growth of the labour supply; and growth of productivity or output per hour. In the 1960s both worked in the US favour. Productivity growth in non-farm businesses averaged 2.9 per cent a year between 1960 and 1973. Civilian employment grew at an annual rate of about 2 per cent.

Since 1973, productivity growth has declined to an average annual rate of 1.1 per cent. And demographic changes have led to a near-halving in the growth of the labour force. Taken together these changes explain a decline in the average annual growth rate from more than 4 per cent in the 1960s to about 2.5 per cent in recent decades. It is also why this year's Economic Report of the President projected a further decline in sustainable growth to 2.3 per cent a year, reflecting productivity growth of 1.2 per cent and employment growth of 1.1 per cent.

Dismal recent data on productivity suggest this may be too optimistic. Output per hour in non-farm businesses has risen at an annual rate of well under 1 per cent in the past three years. In its latest economic forecast, the Congressional Budget Office – an independent fiscal watchdog – said the economy's non-inflationary growth rate was now only 2.1 per cent a year.

Many economists, however, simply do not believe the official figures. In political terms the Clinton administration shot itself in the foot this year by shifting to a new "chain-weighted" method of measuring output growth. This cut recent estimates of growth since 1991 by about half a percentage point, from just over 3 per cent to about 2.5 per cent. Growth in 1994 is now put at 3.5 per cent, against 4.1 per cent on the old figures.

The chain-weighting system involves continuous adjustments to reflect the changing structure of prices in the economy. In theory it is more accurate than the old method, which relied on the prices of an arbitrary "base year" such as 1987. Analysts complain that by shifting to chain-weighting, the administration removed an upward bias to growth estimates while failing to address more significant downward biases. Official growth figures now give a less, rather than more, accurate picture of what is really happening.

"The US economy has been growing at least a percentage point faster than the published figures indicate – at nearer 3.5 per cent than 2.5 per cent," says Mr Bruce Steinberg, a senior economist at Merrill Lynch, the New York financial services group. The most important downward bias, he argues, is the over-statement of inflation by the consumer price index.

Many experts believe the index exaggerates underlying inflation by at least a percentage point a year. Since consumer spending accounts for nearly 70 per cent of gross domestic product, this factor alone could depress the official growth figure by well over half a percentage point a year.

A second source of downward bias, emphasised in congressional testimony by Mr Alan Greenspan, the Federal Reserve chairman, reflects the failure of statisticians to keep pace with the changing structure of the economy – the progressive substitution of intangible services for physical output.

Under existing conventions a steel mill is treated as capital investment and added to GDP. Corporate expenditure on computer software, however, is treated as a cost of production and fails to appear as part of the economy's final output. Yet spending on software and other forms of "conceptual" wealth has soared in recent years.

Analysis of productivity data by Professor Robert Gordon of Northwestern University only increases scepticism about the official figures. In a paper for the National Bureau of Economic Research, he argues that "measurement error" accounts for a significant part of the apparent decline in productivity growth since the early 1970s.

In addition to downward biases caused by the overstatement of inflation by the CPI, he stresses the problems raised by a shift of economic activity into sectors where productivity growth is "hard to measure" and probably understated, such as service industries, retail, and construction. Such sectors accounted for 69 per cent of GDP in 1990 against 51 per cent in 1947.

The flaws in the official data confuse the debate. Republicans are right to argue that growth of more than 2.5 per cent is feasible without risking higher inflation. But since the economy is really growing faster than this already – perhaps at an annual rate of between 3 per cent and 3.5 per cent – it will be harder to improve on Mr Clinton's performance than the official data might suggest. The Democrats may already be close to achieving Mr Dole's growth target.

Does this mean that the Republicans are being irresponsible in proposing measures to stimulate growth? Not necessarily. Since the economy is at or near "full employment", a traditional Keynesian boost to demand would probably lead to higher inflation. But taken at face value, Mr Dole's plan involves no boost to demand.

Yes, he wants to cut taxes by the equivalent of about 1 per cent of GDP over the next six years. But since these tax cuts are to be offset by even larger spending cuts, the budget deficit is projected to decline from about $120bn (£77.9bn) next year to zero by 2002. Nor can he wriggle out of this, as he is committed to passing an amendment to the Constitution mandating a balanced budget.

The Dole plan is a supply-side strategy designed to improve economic efficiency. It includes a 15 per cent across-the-board cut in marginal income tax rates, a lower tax on capital gains, education reforms, a reduction in the burden of federal regulation, and an overhaul of the legal system. If enacted, such measures could increase the economy's potential growth rate, although not by as much as the Dole camp claims.

The Republicans' growth rhetoric would be dangerous only if a future Dole administration were to bully the Fed into loosening monetary policy. But the notion that Mr Dole would insist on Mr Greenspan's resignation and attempt a Keynesian "dash for growth" is too far-fetched to be taken seriously.

If Mr Dole wants to improve on Mr Clinton's record, a more promising tactic would be to instigate a review of US economic statistics. By correcting the flawed estimates of productivity and prices, he might be able to deliver "official" economic growth of near 3.5 per cent while reducing the measured inflation rate. Voters would be suitably impressed.

· O B S E R V E R ·

Fairest of them all

■ Who says the Swiss lack a sense of humour? *Cash* magazine, Switzerland's raciest business weekly, has just run a competition to find Switzerland's most pulchritudinous business leader. It printed mugshots of 20 of the country's most handsome male bosses, ranging from Nestlé's Peter Brabeck to Swissair's Philippe Bruggisser. It then asked readers to pick their pin-up.

There were almost 1,000 responses. No doubt the number would have been even higher if the prize – a free weekend for two at a posh hotel – had included a night with Switzerland's most beautiful businessman.

Nevertheless, the results of the competition were illuminating, as they seemed to undermine Cash's thesis – based on an interview with a University of Texas professor – that good looks mean business success.

Josef Ackermann, who has just lost his job as Rainer Gut's heir apparent at Credit Suisse, was the firm favourite of Cash's overwhelmingly male readership. By contrast, his successor, Lukas Mühlemann, the highly successful boss of Swiss Re, received just one vote.

And the fact that Daniel Vasella, the new chief executive of Novartis, was voted as the third most attractive businessman in Switzerland just adds to Observer's suspicion that this fresh-faced *wunderkind* needs to be watched.

However, Vasella and Ackermann were beaten to the top spot by a relatively unknown Swiss business beauty – Heinz Karrer. Who? Karrer is boss of Ringier Schweiz, the private publishing company . . . that just happens to own *Cash*.

Tina fizzes out

■ Poor old Pepsi-Cola. It has just had to suffer the sight of its Venezuelan bottler defecting to arch rival Coca-Cola. As if that wasn't bad enough, news now emerges of another blow – this time over one of its celebrity endorsements.

Pepsi spent about $20m to buy the backing of Tina Turner, the self-styled queen of rock in the mid-1980s. "We got the taste for living, we got the taste for loving, we got the taste for Pepsi," she sang to a stadium full of Pepsi fans. But it seems the rock star has lost one of her taste buds.

After her recent concert at the UK's Alton Towers leisure park, Turner was offered the best rooms in the park's new hotel. There was the Arabian Nights suite, the Cadbury's chocolate suite, and even the Fairytale Princess suite. So why did she choose to stay in the suite called the Coca-Cola Fizzy Factory, with the other side's stuff on tap?

Let's hope that supermodels Claudia Schiffer and Cindy Crawford – fronting Pepsi's latest $450m campaign – show a little more gratitude.

Moscow tumblers

■ Lenin will doubtless be spinning in his mausoleum – bringing an entirely new meaning to the Great October Socialist Revolution – when Red Square is turned into a vast arena for international circus performers in two months' time.

The organisers of the event, rousingly entitled "All Circuses of the World Are Our Guests!", hope to draw as many as 100 competitors, and are already busy selling television and film rights. But few spectators will be allowed to watch the events first hand: there are too many security anxieties these days.

Thirteen circus arenas will be built in the historic Moscow square, directly in front of Lenin's spectacularly ugly tomb, which once doubled as the Politburo's review stand for awe-inspiring military parades. It isn't yet clear whether Boris Yeltsin will continue the tradition, by standing on top of the mausoleum to applaud the feats of Coco the clown.

Russia's die-hard communists may be offended by the desecration of their once sacred site. But the organisers can always reply with a *bon mot* from Karl Marx: history repeats itself first as tragedy and then as farce.

The late shift

■ There are signs that German employers are becoming rather sick of union demands for 20 per cent more pay for the longer working hours coming into force, since Germany's restrictive shop-opening hours were relaxed at the end of June.

The Bonn office of the Financial Times received an unsolicited fax just after 6pm last Friday afternoon – unusually late, considering Germans' habits of leaving work immediately after lunch on Friday. It stated that the Altes Forsthaus, a hotel near Bückeburg in northern Germany, is altering its billing practices. It kindly requests all union members to identify themselves as such at the reception. "You will then be able to enjoy a 20 per cent surcharge on your bills for *all* services which are afforded outside the current legal working hours. With best regards, the management."

The Financial Times

100 years ago

British Colonial Trade
In the despatch forwarded by Mr. Chamberlain last November to all the Colonial Governors, on the subject of trade between the United Kingdom and the Colonies, prominence was given to a request for patterns or specimens of goods of foreign origin which have displaced, or are displacing, similar British goods. The duty of housing and distributing these was undertaken by the London Chamber of Commerce and that body is commencing to receive the collections of samples.

50 years ago

Hosiery Control Relaxed
Directional control of hosiery production is to cease on 2nd November. "You are advised," states the Controller (Mr. C.R.Coleman) in a letter to manufacturers, "that it will be necessary to maintain the manufacture and supply of utility knitted goods at about the present level.

"Manufacturers will also be expected to maintain a balanced production on the lines of their previous programmes. Failing that it may be necessary to revert to programme control."

The change has been decided upon after discussion with the industry in view of the increasing output of knitted goods.

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Hidden lens snaps VW trials

Test-track photos of new models were transmitted by satellite

By Andrew Fisher in Frankfurt

It is not just the British royal family: *paparazzi* photographers have penetrated Volkswagen too. The German car manufacturer yesterday revealed that a hidden camera, triggered by the heat of a passing car, has been snapping prototype Volkswagens at a test site in Germany.

The disclosure is the latest industrial espionage controversy involving Volkswagen.

The camera took shots of several VW prototypes, one of which – the big Passat family car – is being shown to motoring correspondents for the first time in Dresden tomorrow.

Volkswagen yesterday said a top German detective had been appointed to investigate the clandestine picture taking, thought to be the work of well-organised professional photographers rather than a rival. The company would not speculate on those responsible for what it describes as a "new dimension" in industrial espionage.

Pictures of new models and prototypes are highly valued by specialist motoring magazines and some photographers go to considerable lengths to get them.

For their part, car makers make great efforts to conceal their test tracks and camouflage their prototypes, known in the trade as mules.

Premature disclosure of new models discourages buyers of existing models and dilutes the excitement of product launches.

The relative sophistication of the VW penetration suggests this act is more than the work of a lone photographer. Snoopers would have had to penetrate the well-protected VW Ehra-Lessien test site in north central Germany before burying the camera in the grounds.

Volkswagen spent six months searching for the camera after suspecting one was hidden in the grounds of its headquarters in Wolfsburg, north central Germany, or at nearby Ehra-Lessien.

The camera contained an infra-red sensor that was triggered by the warmth given off by every passing vehicle. The images were beamed up to a satellite which in turn transmitted them to a hidden receiver.

Some of the pictures are thought to have reached a rival manufacturer and have been published in a motoring magazine.

The camera photographed the new generation Golf, expected to come to the market next year, and a planned car known as the EA-420, a smaller version of the bottom-of-the-range Polo.

So alarmed was VW by the cunning way in which the photographs were acquired that its chairman, Mr Ferdinand Piëch, personally ordered the appointment of Mr Dieter Langendörfer, one of Germany's top detectives, to investigate.

Mr Piëch is no stranger to industrial espionage scandals. Three years ago, VW was sensationally accused by Opel, a subsidiary of General Motors of the US, of illegally acquiring some of its highly confidential production plans. That case is still unravelling in German and US courts.

Mr Langendörfer, who this year found the kidnappers of Mr Jan Philipp Reemtsma, the Hamburg cigarette heir, leaves the Hamburg police to take up his job with VW in October.

VW ruling, Page 2

China's foreign exchange reserves swell to $90.8bn

By Tony Walker in Beijing

China expects its foreign exchange reserves to swell to $100bn by the end of this year, ranking it second behind Japan and ahead of Germany and Taiwan among countries with healthy foreign exchange balances.

Mr Dai Xianglong, governor of China's central People's Bank, made the forecast while announcing that the country's foreign exchange reserves reached $90.8bn at the end of July. This compares with Taiwan's reserves of $88.1bn.

Japan's reserves reached a record high of $212.2bn in July. This represented the 33rd consecutive monthly increase. Germany's reserves stood at $89.1bn at the end of May and those of the US were $85.6bn.

The trend might further escalate trade tensions between China and the US. Last week, it emerged that in May the US trade deficit with China had for the first time become larger than that with Japan.

China's reserves continue to grow rapidly, spurred by a strong inflow of foreign investment.

The trade account is expected to be positive this year, but well down on last year's surplus of $16.7bn.

China's reserves were up by 24 per cent in July compared with a balance of $73.6bn at the end of 1995. The continuing build-up of reserves is reflected in a strong yuan which has appreciated by about five per cent against the US dollar in the past two years.

Beijing does not include funds lodged with the Bank of China in its official reserves, but if these were included, China's official holdings of convertible foreign currencies would stand at about $150bn.

China's healthy foreign exchange position has enabled it to stabilise its currency since unifying its multiple exchange rates at the beginning of 1994.

That move resulted in an effective devaluation of about 30 per cent against the US dollar.

But its strong reserves may prove a double-edged sword in its dealings with institutions like the World Bank.

The bank is under pressure to review China's developing country status and thus its continued access to soft loans.

High level of support for Lloyd's

Continued from Page 1

US Names were prepared to accept.

Lloyd's ruling council is due to meet on Thursday to decide whether enough Names have accepted to declare the plan unconditional. As well as a £3.2bn out-of-court settlement offer to settle Names' legal claims for damages, the plan includes proposals to set up Equitas, a giant reinsurance company funded by Names to take responsibility for billions of pounds of mainly US asbestos and pollution liabilities.

Lloyd's needs to achieve two ends from the recovery plan: to end the litigation which is crippling debt collection and to raise sufficient funds from Names to fund Equitas. The market says it is not possible to determine precisely what percentage of support is necessary to meet those two criteria.

Last night it was unclear whether Lloyd's could proceed with the recovery plan without US Names. They would have to pay a total of about £166m under the recovery plan and their liabilities are inextricably linked. One option would be to use bank borrowings to fund any shortfall, but excluding US Names might alter the offer to such an extent that it could not go ahead.

Court win set to boost tobacco shares

Continued from Page 1

opening the door to billions of dollars' worth of lawsuits.

Tobacco companies were jubilant, saying the outcome confirmed the Florida verdict had been an aberration. Mr Charles Wall, senior vice-president for litigation at Philip Morris, said: "This unanimous verdict sends a clear signal that there is no legal groundswell in the American court system to reverse 40 years of precedents."

The anti-smoking lobby drew comfort from the fact that the jury in the Indiana case had not been permitted to consider evidence suggesting that the tobacco industry companies had concealed knowledge about the addictiveness of cigarettes – a factor that played a key role in the Florida case.

Professor Richard Daynard, head of the Tobacco Products Liability Project at Boston's Northeastern University School of Law, said hundreds of other cases were pending.

Chicago's radicals of '68 return in suits and ties

Continued from Page 1

west side neighbourhood. Ms Bernardine Dohrn resurfaced in Chicago in the early 1980s. She is now a respectable lawyer, dresses in suits and pearls and works as an advocate for juvenile justice.

In addition to the celebrity activists, countless lesser-known protesters have joined the establishment, and populate both corporate and public life in Chicago.

There are still plenty of issues for protesters to chew on this week, and advocates for fair housing, employment and healthcare for the poor, will do their best to get the attention of convention delegates, often outside the bounds of the city's designated "protest spots".

Mr Clinton has acknowledged that divisions, especially over welfare reform, could surface in the convention hall. But nothing as extravagant as the reaction of the New York delegation in 1968, when an anti-war stance was finally excluded from the party's platform, is likely. That delegation led others in putting on black arm bands and singing "We Shall Overcome." Although he was an anti-war protestor himself, Mr Clinton, is probably grateful for the change of mood.

THE LEX COLUMN

The road ahead

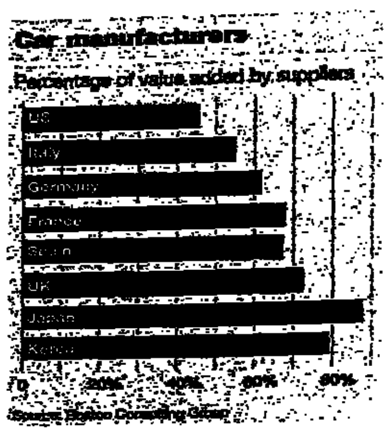
Do car makers need to make cars? A look at the personal computer industry suggests today's giant motor manufacturers will be very different companies 10 years from now: flexible design houses, with strong control over how vehicles are branded and sold but little, if any, involvement in building them.

Cost-conscious car makers are outsourcing ever more complex sub-assemblies to component suppliers and asking them to share risk by chipping in capital and sharing R&D spending. The Japanese are already almost pure assemblers. Only 15 per cent of the value of a Toyota is added at the parent company's factory, against over 50 per cent at US rivals.

But some of the most radical ideas are coming from Europe. BMW with its Z3 roadster and Mercedes with its two-seater Smart car are moving from sub-assemblies to modules, where one contractor is responsible for, say, the whole front end of the car. That can reduce suppliers from almost 500 per model to around 30. Volkswagen is trying to go further. Its controversial head of production, Mr José Ignacio López, envisages bringing between five and eight partner-suppliers into a factory. Together with VW, they would run the plant and share the profits.

The opportunity to cut costs this way remains huge. But vehicle manufacturers will have to weigh that against a potential hollowing out of their technical abilities. And while they have been fostering consolidation among their suppliers, they must take care not to let the power shift too far in that direction.

Nonetheless, shedding an excessive focus on manufacturing should free up resources to improve distribution. Car makers badly want to cut out middleman dealers who suffer from a poor image – Americans, famously, would rather have a root canal filled than buy a new car – and get closer to customers. Credit card loyalty schemes provide some data on consumers. Integrating computer systems from factory to forecourt is a logical next step. Korea's Daewoo has even chosen to build up its own dealer network in the UK. But for established operators, buying up networks of existing dealers would be expensive. Instead they might try to bypass traditional dealers with new technology – such as the virtual showroom, where customers could go for electronic test-drives.



It adds up to a tempting vision. As leaner, less asset-intensive companies, car makers will throw off more cash. In an industry plagued by overcapacity, some of the benefits will be competed away. But those who are boldest in embracing these trends are likely to prove the winners.

Russia

Russia's newly-installed government faces a dilemma. If it tries to cut its sky-high interest rates, hundreds of Russia's flighty banks (which financed President Boris Yeltsin's re-election campaign) may go bust. If it does not, then desperately-needed industrial investment will never start. It would take more than a tot of vodka to induce any sane banker to make long-term industrial loans when government bonds are yielding 90 per cent a year, the exchange rate is stable, and inflation is less than 1 per cent a month.

Opening up the government debt market to more foreign investors would rapidly drive down borrowing costs throughout the economy. But the central bank argues the move is fraught with risk. It may have a point. So far, Russia has only attracted fringe capital, which will flee whenever Mr Yeltsin's heart skips a beat. Such unstable flows of foreign capital could play havoc with Russia's exchange rate policy. The spectre of Mexico chills the Slavic marrow.

But such arguments overstate the immediate risks and signal a lack of confidence in Russia's ability to shape its own economic destiny. Sober-minded foreign investors would only applaud the government using the debt market for its proper purpose: financing the budget deficit as cheaply as possible rather than for propping up crippled banks. If the only way some financial institutions can stay afloat is to bet the bank on government bonds, they do not deserve to survive for long.

At present, Russia's economic situation is unsustainable. On some estimates, the government debt market absorbs a sum equivalent to all domestic retail savings. In short, the Russian government is "crowding out" private sector investment to an extreme degree. Unless it sharply reduces its budget deficit, it must cut its borrowing costs - as it has scope to do. Russia has endured the pain of financial stabilisation; it seems perverse not to reap its rewards.

Carlsberg-Tetley

The deal to sell Allied Domecq's brewing interests may have fermented for an excruciatingly long time, but at least the finished product looks palatable. Combining Carlsberg-Tetley with Bass's existing brewing business will create £90m annual profits. These cost savings are being shared fairly evenly in a deal that benefits everyone, but is excellent for none.

Certainly Bass should have squeezed a better bargain, since there was no other likely buyer; Whitbread would have struggled to balance Carlsberg with its other lager brands. Bass's drive to be the UK's number one brewer may have made it too eager. Nonetheless, it gets a one-step improvement in profits from cost savings. With fewer big brewers, the survivors have a stronger negotiating position with retailers and independent pub owners. And it is well insulated against regulatory risk. If the competition authorities insist on excessive concessions in exchange for permitting this deal, Bass should not lose much in making its exit.

The risk for Carlsberg is that, if the deal is blocked, it will end up not just with its existing half-stake in a loss-making Carlsberg-Tetley but more of Allied's as well. Allied probably comes out best, because either way it sheds its brewing interests. This will give its pub business a new lease of life, since it will no longer need to buy beer at above-market prices from a tied brewery. Moreover, with this distraction out of the way, long-suffering Allied shareholders must hope management will start delivering adequate returns from the rest of the business.

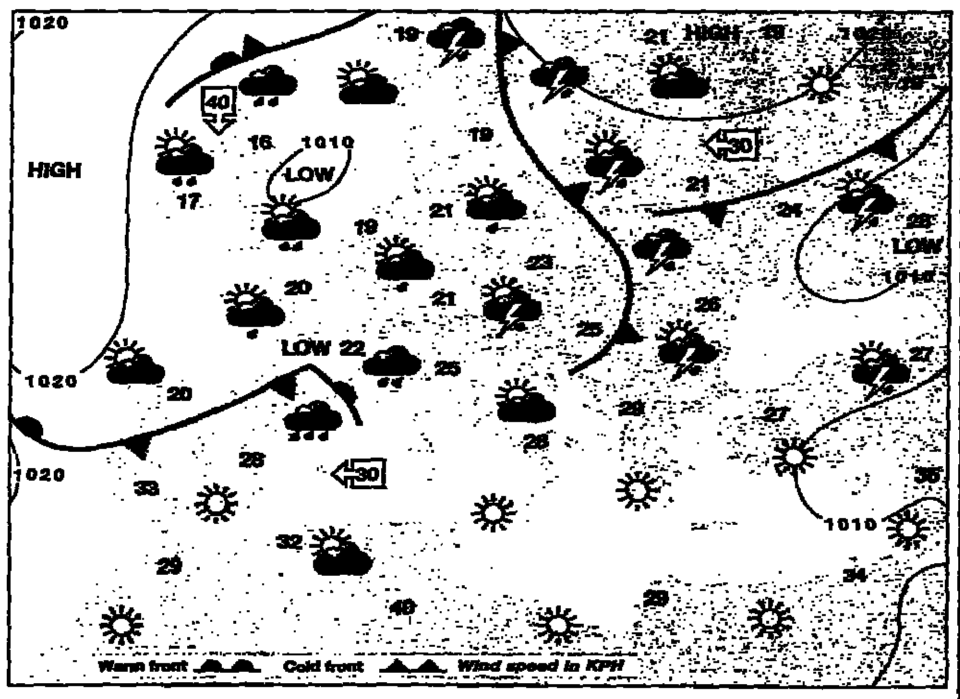
FT WEATHER GUIDE

Europe today

Scotland will be cloudy with rain. The rest of the British Isles will be partly cloudy with scattered showers. Scattered showers are expected in the Benelux, Germany and northern France. Central France will remain dry but southern France and northern Spain will be generally cloudy with occasional rain. There will be numerous thunder storms near a front in eastern Europe and the northern Balkans. East of the front, high pressure will bring dry and sunny conditions to Russia. The Mediterranean will be sunny. Southern Scandinavia will have thunderstorms.

Five-day forecast

The British Isles and western Europe will continue unsettled. Humid conditions with thunder storms are expected in eastern Europe, the Alps and the northern Balkans. Southern Italy, Greece and Turkey will be dry and sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	shower 23	Caracas	fair 32	Faro	sun 28	Madrid	fair 29	Rangoon	rain 30
	Celsius	Belfast	shower 17	Cardiff	shower 17	Frankfurt	fair 22	Majorca	sun 28	Reykjavik	rain 12
Abu Dhabi	sun 42	Belgrade	fair 26	Casablanca	sun 24	Geneva	fair 23	Malta	sun 31	Rio	fair 30
Accra	fair 27	Berlin	fair 21	Chicago	fair 22	Gibraltar	sun 26	Manchester	thund 17	Rome	sun 29
Algiers	sun 33	Bermuda	fair 30	Cologne	shower 20	Glasgow	rain 17	Manila	thund 33	S. Frsco	sun 21
Amsterdam	shower 19	Bogota	fair 19	Dakar	shower 28	Hamburg	fair 21	Melbourne	fair 16	Seoul	rain 27
Athens	sun 30	Bombay	rain 32	Dallas	cloudy 32	Helsinki	sun 23	Mexico City	fair 18	Singapore	fair 32
Atlanta	fair 32	Brussels	shower 19	Delhi	fair 31	Hong Kong	cloudy 31	Miami	fair 33	Stockholm	shower 21
B. Aires	shower 16	Budapest	thund 25	Dubai	sun 41	Honolulu	fair 33	Milan	thund 26	Strasbourg	shower 22
B.ham	shower 17	C.hagen	cloudy 20	Dublin	shower 17	Istanbul	sun 27	Montreal	shower 21	Sydney	fair 20
Bangkok	shower 31	Cairo	sun 34	Dubrovnik	sun 27	Jakarta	fair 32	Moscow	sun 19	Tangier	fair 24
Barcelona	shower 26	Cape Town	shower 16	Edinburgh	rain 16	Jersey	shower 18	Munich	shower 21	Tel Aviv	sun 31
						Karachi	fair 32	Nairobi	fair 24	Tokyo	fair 27
						Kuwait	sun 47	Naples	sun 28	Toronto	thund 22
						L. Angeles	sun 24	Nassau	fair 32	Vancouver	fair 22
						Las Palmas	sun 27	New York	fair 30	Venice	shower 25
						Lima	cloudy 20	Nice	fair 26	Vienna	fair 23
						Lisbon	cloudy 26	Nicosia	fair 33	Warsaw	thund 25
						London	shower 19	Oslo	shower 18	Washington	sun 31
						Lux.bourg	shower 18	Paris	cloudy 22	Wellington	shower 13
						Lyon	fair 24	Perth	fair 17	Winnipeg	fair 26
						Madeira	sun 25	Prague	shower 21	Zurich	shower 19

FINANCIAL TIMES
COMPANIES & MARKETS
Monday August 26 1996

Bombardier plans to launch 70-seat jet

Project could replace jobs lost after Fokker collapse

By Michael Skapinker, Aerospace Correspondent

Executives at Bombardier, the Canadian aerospace and transport group, hope to announce next week at the UK's Farnborough air show that they plan to launch a new 70-seat jet.

The announcement that the group will begin offering the regional jet to airlines is likely to be followed by a formal decision by the Bombardier board in November to go ahead with production of the aircraft.

The initiative follows Bombardier's decision not to acquire Fokker, the Dutch regional aircraft builder which went bankrupt earlier this year. Fokker made 70 and 100-seat jets and could have offered the Canadian group a cheaper way of entering this market.

Mr Laurent Beaudoin, Bombardier chairman, said that manufacturing costs in the Netherlands were too high for the Canadian group to make a success of Fokker. Samsung of South Korea has resumed negotiations into a possible takeover of Fokker's aircraft manufacturing assets.

A decision to enter the 70-seat jet market would mark an extension of the ambitions of the Canadian group, which only entered the aerospace industry 10 years ago. The company, which also manufactures trains and snowmobiles, already produces a 50-seat jet as well as a range of turboprops and business aircraft.

The group will today in Toronto unveil its newest corporate jet, the long-range twin-engined Global Express. Bombardier says that the aircraft, with a list price of $34m each, can fly non-stop from New York to Tokyo.

The Global Express, which is powered by engines produced by BMW Rolls-Royce, the Anglo-German joint venture, will make its first flight next month and is expected to enter commercial service in 1998.

Mr Beaudoin said that the 70-seat jet project could help replace jobs lost at Short Brothers, its Northern Ireland subsidiary, following the collapse of Fokker. He said that "quite of bit of the work" on the proposed jet could be done in Northern Ireland.

Shorts, which produced the wings for Fokker aircraft, has made 700 employees redundant since the Dutch company went into receivership earlier this year.

The Northern Ireland manufacturer is still making wings for some outstanding Fokker orders, but when this work is completed, towards the end of the year, another 300 jobs could go.

Mr Beaudoin said that engineering teams at Shorts would probably be involved in preliminary work on the aircraft.

Lloyds Chemists clears way for rival bids

By Jane Martinson in London

Lloyds Chemists, the UK pharmacy group, has cleared the way for takeover bids from two rival suitors – Gehe and UniChem – by finding buyers for its pharmaceutical wholesaling businesses.

Prompted by its desire to speed up the drawn-out bid battle, Lloyds told both UniChem and Gehe on Friday that it had secured agreements in principle for the sale of up to seven warehousing depots, thereby fulfilling government conditions for the bids to go ahead.

At the same time Lloyds launched an offensive against what it sees as moves to reduce the value of the original bids following the disposals and its own profits warning last month.

HSBC Samuel Montagu, Lloyds' advisers, said yesterday: "There have obviously been attempts to talk down the value of Lloyds. But although its historic profits have been adversely affected by the distraction of the bid there has been no change to the value of the business going forward. It is certainly as valuable now as it was four months ago."

Gehe, the German pharmaceuticals group, has indicated that the value of Lloyds had diminished since it launched a £650m ($1bn) bid earlier this year. As well as the disposal of the wholesale business – which it said contributed about 2 per cent of Lloyds' operating profits – it has highlighted the difficult trading situation at the UK group.

Lloyds' profits warning last month prompted analysts to slash current annual profit forecasts from £80m to £50m.

UniChem, the UK drugs products retailer, has been more sanguine about the effect of the disposals and warnings. Its cash and share offer valued Lloyds at £630m.

A Lloyds' insider said yesterday that although the sale of up to seven wholesaling depots would reduce sales by some £150m a year the impact on profits would be "insignificant".

The two bids were referred to the Monopolies and Mergers Commission in March because of the implications for the UK wholesale drugs distribution market. UniChem and Gehe each have about 30 per cent of the market, while Lloyds has about 10 per cent.

Interest, particularly from other regional wholesalers in the UK, was understood to have led to at least three bidders for each depot supplying external customers.

The agreements will now be submitted to the Department of Trade and Industry for approval to open the way for new bids.

The DTI is expected to respond within three weeks.

Warburg Pincus invests in Esprit Telecom

By Alan Cane in London

Warburg Pincus, the US-based venture capital company with special interests in telecommunications, is investing in Esprit Telecom, a fast-growing, privately-held European operator.

It joins Hancock Venture Partners and Apax Partners in funding the Amsterdam-based group which sells mainly to large and medium-sized businesses.

Warburg Pincus' investment is believed to be about $20m, but the agreement leaves open the possibility of further investment. The proceeds will be used for expansion, especially in Germany.

Mr Dominic Shorthouse of Warburg Pincus joins the Esprit board.

Mr Michael Potter, Esprit president, said: "This financial link with Warburg provides Esprit with the necessary resources to bring the company closer to achieving our long-term goal of becoming the largest independent European provider of international and long-distance telecoms services."

Five-year-old Esprit has offices in the UK, Netherlands, Spain, Belgium, France and Ireland.

For the second year it has won the contract to handle the UK government's international phone traffic worth about £70,000 ($108,500) a month. It is strong in the financial, travel and hotel services sectors.

As a private company it does not divulge profit and loss figures nor the size of individual investors' stakes, but is believed to have a turnover of less than $100m a year. It is not yet in the black although the Dutch and UK operations are profitable.

Its strategy has been to let customers dictate the shape and size of its network, installing its own switches but leasing transmission capacity from other operators when necessary.

The $200bn-a-year European market should become fully liberalised on January 1, 1998.

INSIDE

Roderick Oram on why a bigger market share is unlikely to end Bass's problems

UK brewer turns up volume to drown out competition

Only a chain-link fence separates the breweries of Bass and Carlsberg-Tetley in Burton, the Midlands home of English brewing. Once Bass pays £200m ($310m) for the "pop factory", as it calls its neighbour, a pair of wire cutters will be all it needs to start the integration of the two breweries.

Bass will instantly regain its title as the UK's largest brewer, lifting its market share from 23 per cent to 35-38 per cent. Within three years it hopes to achieve cost savings of about £90m a year.

Yet by playing that volume game, Bass will enhance its brewing profits only 0.4 per cent in 1998, according to SBC Warburg predictions based upon terms very similar to those finally announced by Bass yesterday. NatWest Securities forecast a gain of only 1.2 per cent.

The UK beer market will remain fiercely competitive even with the number of national brewers falling from four to three, Bass says. "Wholesale price increases will be hard to come by," Sir Ian Prosser, chairman, said yesterday.

Scottish & Newcastle and Whitbread, the other national brewers, and a handful of competitive regional and foreign brewers will be fighting for business from increasingly large chains of pubs and supermarkets.

As an expanded Bass cuts its costs to widen profit margins, those powerful buyers will drive ever harder bargains. "Our defence is premium products and innovation," Sir Ian says, pointing to new products such as Caffrey's Irish Ale and Hooper's Hooch alcoholic fruit drinks, which have sold well in the past year.

Yet, on premium beers Bass ranks far behind its competitors. Premium ales and lagers such as Carling Premier and Caffrey's will account for 11 per cent of its portfolio, down from 12 per cent before the merger because of Carlsberg-Tetley's similar weakness, according to NatWest. Such high-priced beers are insulated from the deep discounts on standard beers. They account for 44 per cent of Whitbread's portfolio and 30 per cent of S&N's.

Bass was surprised by the success of Caffrey's and Hooper's Hooch. It had to ration Caffrey's until its brewery in Northern Ireland had been expanded, and it is subcontracting a large chunk of Hooper's Hooch production to other brewers to meet demand. Overall, Bass is short of brewing and packaging capacity, a problem the merger will solve.

Moreover, it is proud it spent so little on advertising to launch Caffrey's. It relied instead on the massive distribution power of its estate of about 4,300 pubs.

A further example of Bass's marketing weakness came recently with its relaunch of some of its main ales using "mixed-gas" taps in pubs, which give them a creamy head. The ales cost more to produce and the quality is higher, pushing them ales towards the premium category. But Bass says it is unable to raise prices.

Bass will get an injection of marketing and product skills from Carlsberg-Tetley, which, has become very adventurous of late. It has pushed the bounds of advertising on, for example, Vault, its riposte to Hooper's Hooch. Pictures of nipples pierced to take the metal tag from Vault bottles appear on the Internet website of Allied Domecq, Carlsberg-Tetley's half-owner until the Bass deal.

Carlsberg-Tetley is also heavily into modern management-speak, whereas Bass is traditional leader of the clubby "beerage" of UK brewing. Avoiding a culture clash will will be essential to Bass if it is to maximise the benefits of the acquisition.

Heightened marketing skills will also be essential to differentiate the myriad brands in Bass's expanded portfolio. In lagers, for example, it will have to distinguish between 16 brands such as Carling, Carlsberg, Tennent's, Castlemaine, Grolsch and Staropramen.

Carlsberg's brand presents a particularly tricky issue. The Danish brewer has seen its UK profits collapse from about £65m before it merged its UK brewing business with Allied Domecq's in 1993. Its' market share has also eroded badly.

Fellow brewers say Bass is inexperienced in and unenthusiastic about building licensed brands, focusing instead on those it owns. Yet Carlsberg has entrusted its business in the UK, a key overseas market, to Bass. Yesterday's deal demands Bass sells certain volumes of Carlsberg but these levels "don't give us a cause for concern", Sir Ian says.

Satisfying Carlsberg's ambitions for its brand will be critical to the merged business. The Danish brewer will take no royalties but instead will profit from its 20 per cent stake in Bass's UK brewing operations.

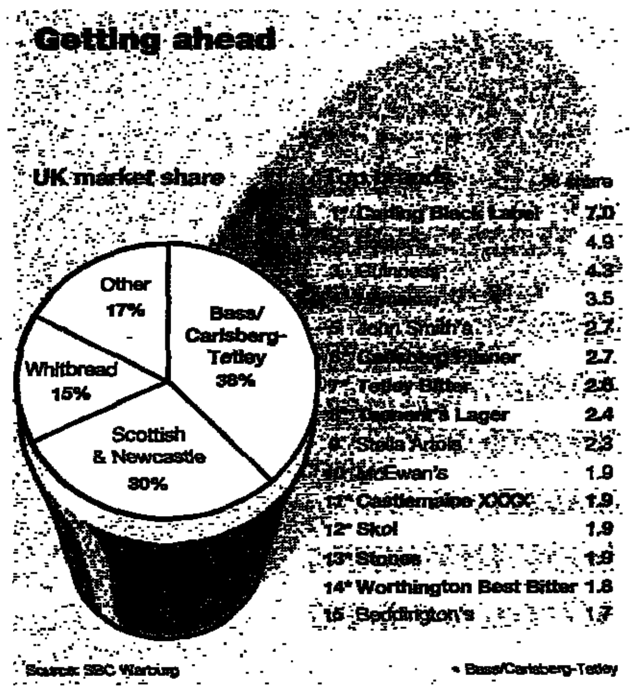
Bass will have to rise to these formidable challenges on marketing and innovation to catch up, particularly with Whitbread. "On balance, I wish Bass wasn't going to buy Carlsberg-Tetley, but it won't make much difference when they do," a senior Whitbread executive said shortly before the deal was concluded. "We have the brands and the distribution to compete. Those are the vital ingredients as we get ever closer to a free market."

Under pressure from the government since 1989, brewers have reduced the volume of beer they sell through the pubs they own. In addition, pubs have lost ground as people drink more beer at home. Pubs tied to brewers accounted for 52 per cent of pub beer volumes and 43 per cent of total UK consumption in 1989, but sell only 38 per cent and 27 per cent respectively today.

Bass will argue to the Office of Fair Trading that this rapid trend towards a free market means its large market share post-merger is not anti-competitive. Moreover, it will argue that large regional shares (it has more than 50 per cent of the Scottish and Midlands markets) are largely irrelevant because an increasing volume of beer is bought nationally by chains of pubs and supermarkets.

The OFT is likely to extract some price for its approval, however, most likely a reduction in Bass's estate to further the trend to a free market. A smaller estate will only increase pressure on Bass to improve its skills as a free market brewer.

If it fails to achieve that, it will be stuck as a volume brewer – having regained the title of the UK's biggest, it would find itself wearing a hollow crown.



> Carlsberg-Tetley is heavily into modern management-speak whereas Bass is traditional leader of the clubby "beerage" of UK brewing

O&K plans shake-up to tempt potential buyers

By Michael Lindemann in Bonn

Orenstein & Koppel (O&K), the loss-making German construction and mining equipment specialist which the Krupp conglomerate has been trying to sell, is planning a DM80m ($54m) restructuring programme to make the company more attractive for potential buyers.

Mr Manfred Link, chief executive, said the closure of the group's plant near the southern German city of Augsburg and several other measures would save O&K about DM80m annually.

He warned the group's annual meeting on Friday that O&K, 75 per cent owned by Krupp, would still make an unspecified loss this year because of the weakness in the construction market in most European countries.

Sales of O&K's construction machinery in the first six months of this year fell 18 per cent to DM402m from DM490m.

Krupp said last December it wanted to sell its O&K stake because it no longer fitted into the group's activities. Advised by Merrill Lynch, the US investment bank, the group began talks with possible partners but a deal was never sealed, partly because of, as one executive put it, the "desolate" state of the construction equipment market.

In June Krupp sold its 60 per cent stake in O&K's profitable escalator activities division to Kone, the Finnish group.

The rump of O&K will now restructure itself, using the DM225m cash which it received as part of the Kone deal and will, in the long term, seek a strategic partner.

Analysts said the failure to sell O&K's construction and mining activities had "made a slightly negative impression" but added that Krupp had the resources to manage the restructuring.

Mr Christian Obst, an analyst at Bayerische Vereinsbank, suggested it was also possible that the mining business, which is profitable, and the construction equipment business could be sold separately once the restructuring was complete.

STATISTICS

COMPANIES IN THIS ISSUE

Qualifying members receive pay-out as part of takeover by Abbey National

N&P savers bank £875m cash

By Motoko Rich

Some 665,000 former National & Provincial savers who now hold accounts in Abbey National were yesterday credited with £875m in cash.

Abbey National, which converted to a bank when it floated in July 1989, officially took over the building society for £1.35bn this month.

N&P savers who had held accounts for more than two years when the takeover took place were the only members eligible to select cash over shares.

Of the 850,000 savers who qualified, 22 per cent elected to take their pay-out in Abbey shares.

More than 1m N&P members were eligible for a package of cash and shares worth up to £4,250 a head.

About 35 per cent of the total consideration will be paid in shares between tomorrow and September 2 to approximately 622,000 members.

The cash payments were calculated on the basis of a fixed sum of £750 and an additional 7.75 per cent of the lower of qualifying balances in the accounts on May 28 1995 and August 4 this year.

Abbey is also making a statutory cash bonus payment to members who were not eligible to vote for the takeover because they were either under 18 years old on the qualifying date or had less than £100 in their N&P accounts on December 31.

These payments will be calculated on the basis of 9.34 per cent of the balances in eligible accounts. However, Abbey said this would not amount to more than £3m divided between 670,000 accounts.

Borrowers and savers who had been members for less than two years on the qualifying date for the takeover bonuses will receive shares in Abbey worth £500 – or 89 shares each on the basis of 567.35p a share.

Of the two-year savers who elected to receive shares, the distribution will be calculated on the same basis as the cash payouts.

Abbey has set up a share dealing service through Sharelink, the execution-only stockbroker, for those members who wish to sell their shares.

Coutts weighs up move into US private sector

By George Graham, Banking Correspondent

David Went: acquisition or joint venture most likely options

Coutts, the private banking arm of the National Westminster Bank group, is considering the option of buying a US private bank to expand into the US onshore wealth market.

Coutts already has operations in New York, Miami and California, but these cater largely to offshore wealth from Latin America and Asia.

Mr David Went, Coutts chief executive, said the group was examining whether it should push into domestic private banking in the US, providing asset management and other financial services for US citizens as well as non-residents.

"We are considering what our stance should be, and should reach a conclusion probably by the end of the year," he said.

"The one thing we do know is that in the US organic growth of a private banking business is not a runner. It is something that would have to be addressed through joint ventures or acquisition, or a combination of the two."

North America offers one of the greatest concentrations of wealth in the world. Recent estimates from Merrill Lynch and Gemini Consulting suggest that individuals with more than $500,000 (£320,000) of investable assets control more than $4,500bn of investments.

In other regions, many of the very rich invest outside their home country, often in centres such as Switzerland. In the US, on the other hand, wealth is essentially managed onshore.

Even the big Swiss banks have had relatively little success in penetrating the US private banking market, which is dominated by US institutions such as Chase Manhattan, Mellon and JP Morgan.

Coutts has invested heavily in the US over the last three years, but its structure there is complex. Its New York office, with about 100 staff, is a branch of the group's Swiss subsidiary. Miami, with another 100 staff, is a separate company licensed under the Edge Act, which allows it to offer a complete range of financial services but only to non-residents.

"If we wanted to develop significantly in the domestic market we would have to have a different corporate structure, and that essentially would mean the acquisition of an existing business," Mr Went said.

The Coutts private banking business is one of the three areas NatWest has identified for development.

Sonar sales set to lift Ultra Electronic

By Tim Burt

Ultra Electronic Holdings, the defence and aerospace equipment manufacturer seeking a stock market listing, will announce a sharp increase in profits this week thanks to growing demand for its sonar detection and aircraft communication products.

The company, formerly part of the Dowty Group, is expected to report pre-tax profits of £7.43m on sales of £57.8m for the six months to June 30.

Although Ultra is not publishing comparable 1995 interim figures, the profits are more than 16 per cent above the £6.38m achieved for the whole of last year – when sales reached £97.3m.

Mr Julian Blogh, chief executive, said the company expected further growth in the second half as it enjoyed increased contributions from newly-acquired defence components subsidiaries in North America.

He admitted, however, that last year's figures were distorted by £3.85m of exceptional costs, including a £1.49m charge to cover a factory closure and the £1.59m renegotiation of a profit sharing agreement in the US.

It also paid £779,000 to TI Group last year, the final payment to Dowty's parent for an undertaking not to compete with Ultra.

Nevertheless, this year's underlying profits should comfortably exceed last year's £10.6m total following further orders from Airbus, the European civil aircraft consortium.

The company, which plans to publish its pathfinder prospectus next month, hopes to raise about £60m through a partial institutional placing.

After it begins trading in October, it expects to have a market capitalisation of £120m-£130m.

Ultra's flotation is being handled by Schroders, with Cazenove acting as brokers.

A&L looks at dealing options

By Motoko Rich

Alliance & Leicester, the UK's fourth largest building society, is in discussions with its advisers about setting up a share dealing service for members who receive shares in its forthcoming flotation.

The society, which plans to make its stock market debut next year when it converts to a bank, will next month decide whether to negotiate a third-party service for members who want to sell their shares, or set up a centralised system matching institutional demand with selling members.

About 3m A&L savers and borrowers should receive shares in the flotation, probably worth more than £800 to each.

According to JP Morgan, the society's advisers, about a quarter of its members are expected to sell their shares within the first six months.

JP Morgan has submitted a report to the A&L board covering the benefits and drawbacks of either share dealing method.

The society could make contracts with third-party cheap share shops who would then be able to act for individual shareholders with relatively small holdings.

The society would have no direct involvement in the sales, other than to negotiate cheap deals.

Alternatively, it could set up a centralised service thereby taking a much more active role in the share dealings.

A&L has already appointed Lloyds TSB as its share registrar, responsible for setting up and maintaining the share list and distributing share certificates to members.

As with the other building societies floating next year, including Halifax, the UK's largest, Woolwich, the number three, and Northern Rock, the eighth biggest, A&L will be keen to avoid the problems faced by Abbey National when it floated in 1989.

One of the mailing houses contracted to distribute some of the Abbey National share certificates dumped and burned some 500,000 in a skip.

On the first day of trading, chaos ensued as some members without share certificates tried to sell their stakes and those with certificates were unable to sell shares as quickly as they wanted.

A sea-change for investors

The Kepit battle is good for shareholders, writes Roger Taylor

The battle for control of the Kleinwort European Privatisation Investment Trust has set a new standard of investor responsibility for the investment trust industry. Directors of Kepit have shown a refreshing willingness to ignore the interests of the founder and manager of the trust, Kleinwort Benson, concerning themselves instead with the interests of those who invested in it.

The struggle for Kepit, with net assets of about £530m, began two weeks ago with a hostile offer from TR European Growth, an investment trust managed by Henderson Touche Remnant. Treg's move was an act of gall the like of which is rarely seen in the investment trust industry.

Kepit's problems stem from poor investment performance and a weak share price. Enormously popular when launched two years ago, it aimed to profit from the number of privatisations in continental Europe. It raised £500m, becoming Kleinwort Benson's largest investment trust.

But European privatisations proved poor investments. Kepit underperformed the European indices and the shares fell to well below their net asset value.

This year Kepit drew up its own plan to push up the share price by buying back up to 60 per cent of the fund. Treg decided to offer shareholders a quicker exit. It is proposing to liquidate the trust and pay shareholders 99.5 per cent of the proceeds. It will take the other 0.5 per cent. After all the bid costs have been paid, shareholders should expect to receive in the region of 97 per cent of the asset value of shares. Treg is also offering a number of its shares.

Kepit's response has been unusual. Instead of trying to defend its position, it has given Kleinwort its notice and invited anyone interested to improve on Treg's offer.

Ten companies have stepped forward, including Baring Asset Management, M&G, Flemings, Fidelity, Guinness Flight, Morgan Grenfell and Kleinwort Benson, the existing manager.

The proposals before Kepit cover the full gamut of possible ways to improve returns to investment trust shareholders.

One option is to try to make the shares more attractive to new investors. If weak performance is the problem, a solution is to appoint better managers. Almost all the companies bidding would claim they could do a better job. Kleinwort argues that it has not been at fault and says it has outperformed its own index of privatisation shares which match its criteria. But many of the bidding companies have strong track records in Europe and manage top performing European funds.

Others claim greater expertise at marketing funds to new investors. If a trust has strong marketing back up, demand should keep the price up. Fleming and Henderson Touche Remnant, both have successful marketing operations.

More drastic measures involve restructuring the trust. The extreme option is to wind it up, as proposed by Treg. A partial wind-up through a share buy-back, as Kepit originally suggested, is still under consideration.

An alternative is to convert the fund into a unit trust, allowing investors to cash in their holdings. M&G has proposed this, by letting shareholders switch into its existing unit trusts. Kleinwort Benson also wants to convert the fund into a unit trust and hopes to retain some funds to manage.

All these options may help increase value for shareholders but they are bad news for Kleinwort Benson since they mean a loss of management fees, which are calculated as a percentage of funds under management.

This conflict of interest between investment trust managers and shareholders is a common feature of trusts where the shares trade at a discount. And that includes most of them.

In theory, the trust's board should always look after shareholder interests. Investment trusts, as listed companies, are required to have a majority of independent directors, whose only concern is shareholder value. But not all boards are willing to ignore the interests of the fund manager. After all, investment trusts are set up by managers, which appoint the board.

All too often when confronted with a choice between shareholder and investment manager interests, boards have been slow to do the right thing. Yet Kepit has shown itself more concerned about its shareholders than Kleinwort.

One indication of the often cosy relationship between investment trust boards and fund managers has been the generous terms on which investment management contracts have been awarded. Until recently it was not unusual for managers to be on rolling three-year contracts. This meant, if dismissed, they were entitled to three years' fees. With these sometimes as high as 1.5 per cent a year, trusts could not afford to fire their managers, however they performed.

Pressure for change has come in part from the increasing willingness of investment managers to make hostile bids for trusts which underperform. The bid for Kepit is the second bid by a Henderson investment trust this year. Analysts expect to see further bids in future. It can only be good news for shareholders.

Compass makes US purchase

By Jane Martinson

Compass, the rapidly expanding contract catering group, is to buy the dining and vending food service division of Service America for \$119.2m (£77m).

Compass will pay \$28.2m cash and loan notes on completion and 10.2m Compass shares in four instalments from March.

The loss-making Service America operates more than 7,000 dining and vending accounts across 36 states. It has net assets of \$109.7m and will be bought without debt.

Compass said yesterday that the deal confirms its place in the US contract catering market, worth some \$19bn a year, behind Marriott and Aramark.

It is understood to have defeated Sodexho, its French rival, for the operations which made annual pre-tax losses to March 30 of \$13.9m on sales of \$480m. Compass said it would be profitable "within a short period". A \$10m reorganisation charge will be made this year.

Last month it acquired Professional Food-Service Management, a private Florida caterer, for \$26m. Two months ago it bought the remaining interest in Eurest France, France's third largest contract caterer, for FFr590m (£75m).

Bigger does not always mean better

Norma Cohen on mergers and profit margins

It is a widespread assumption in the fund management industry - and a significant factor behind the current merger wave - that increased size produces great economies of scale. But a recent survey by Price Waterhouse suggests this is not always the case and raises questions about the prices paid in some recent takeovers.

PW, which produces an annual analysis of the profitability of the UK fund management industry, concludes that bigger funds do tend to have lower costs per pound. But it says that once assets under management reach a certain size, further growth offers little, if any, benefit in profit margins.

According to the survey, covering 35 respondents with £575bn under management, overall costs for firms with less than £10bn of assets under management were 0.2 to 0.3 per cent of the funds. By the time assets had grown to £20bn, this fell to 0.15 per cent.

But double the assets under management again to £40bn and you get only an additional five basis points in profit improvement. And as assets under management grow to £70bn, you get only a further three basis points in improved profit margin.

"There is minimal evidence of greatly increased economy at very large scale," the report concludes. "If anything, the reverse appears to be true." The surveyed companies whose assets under management were highest actually had higher unit costs than those slightly smaller.

But if profit margins do slow once a certain critical mass is achieved, does it make sense to keep acquiring other businesses? Are predators paying too much for their purchases - particularly since the PW study found that in 1995 the UK fund management industry's overall profitability fell, for the first time in five years?

Mr Andrew Duncan, partner in PW's European investment management consulting practice and a co-author of the report, says the data ought to prompt some reflection about takeover prices: "The market would say that the prices being asked include a significant amount of goodwill. "You might ask why this should be if this industry has peaked in terms of profitability."

Not everyone agrees profitability has peaked. Mr Philip Gibbs, an analyst at BZW, points out that almost every publicly quoted UK fund management company has reported improved profits for 1996. He says the PW study, covering 1995, merely reflects the fact that most markets fell during the previous year and assets under management shrank.

But the partners at PW argue the problem is more basic: fund management companies have not been successful at controlling their costs and therefore, both the absolute levels of profitability and the relatively profitability of larger funds are inhibited.

While many companies have been good at controlling their so-called back office costs, the big ticket item, salaries, has been left untouched. The survey found that front office costs had risen from 50 per cent of total costs in 1993 to 60 per cent in 1995. Much of that has to do with managerial reluctance to cut the bonuses of key staff during years of only mediocre performance: "Large bonuses become a habit."

And when fund managers acquire a new business, managers are reluctant to cut staff ruthlessly for fear of antagonising valued employees.

Does the PW study have lessons beyond Britain? Mr Milton Berlinski, a specialist in the fund managment industry at Goldman Sachs, says some of its conclusions only apply in the UK. "The UK has historically been very fee competitive. But in the US, performance and service levels have been more important drivers of business." US firms have been able to charge higher fees, provided they proved justified by investment returns.

FUND MANAGEMENT

In the US, he says, profit margins are typically 35 to 40 per cent of revenues while in the UK they are closer to 25 to 30 per cent.

He disputes the argument that increases in size fail to produce increases in profit margins. Investment in infrastructure, such as new technology, is required no matter how small the fund and this cost gets absorbed more quickly the larger the fund.

But Mr Berlinski concedes that the prospect for improved profit margins in the industry is slim. First, fees for institutional money management are already under pressure and are likely to continue that way: "In the retail US asset management industry, fees will likely remain constant and the cost of gathering assets will increase, leading to declines in margins over time."

COMPANIES AND FINANCE

Danubius' four-star award upsets industry

The acquisition of Hungaria gives the hotels group about 30 per cent of Hungary's market

Hungary's decision to award Hungaria Hotels, the last of the country's four main chains held by the state, to its stock market-quoted rival, Danubius, has pleased the markets and equity analysts. However, some fear that, by limiting competition, the planned sale will hurt the country's growing tourism sector, an important source of foreign exchange earnings and employment.

Danubius' share price on the Budapest stock exchange rose Ft70 to close at Ft2,720 on Friday, following the announcement by APV, the state privatisation agency, that it would sell the hotel group an 85 per cent stake in Hungaria for Ft8.125bn ($53.7m), pending approval of the deal by the competition office.

The sale would give Danubius, part of UK-based CP Holdings, close to 30 per cent of the country's hotel market. In addition, it would control nearly two-thirds of four-star hotel space and a large part of the market in Budapest, one of Europe's most visited cities and Hungary's most important centre for tourism and business.

"It is certain a Danubius-Hungaria group would have the power to determine room prices in Budapest," Mr Istvan Meggyes, president of the Hungarian Travel Agencies' Association said after the deal was announced.

Danubius was awarded the chain over City Hotels of Belgium and a management group which bid Ft6.6bn. City offered Ft8bn for Hungaria, formerly known as HungarHotels, and agreed to invest a further Ft8bn in its 14 hotels over three years, compared with Danubius' Ft2bn investment plan.

Hungaria, whose privatisation was first discussed seven years ago, used to include the Forum, one of Budapest's leading four-star hotels, as well as several cafes and restaurants. Now, it owns three four-star hotels and four three-star hotels in the capital which, according to CS First Boston, the investment bank, account for more than 90 per cent of its profits. The Forum is due to be sold soon, with Intercontinental of Japan and South Korea's Daewoo among the bidders.

City Hotels runs establishments in Belgium, the Netherlands and the US, and recently sold its EuroBelgian Airlines to the UK's Virgin. It is looking to offload some of the cash raised with new acquisitions.

Both Danubius and City are understood to have offered to float 50 per cent of Hungaria within a year, to retain its name and to keep staff levels at the present 3,000 for 12 months.

"For Danubius, it's a great move but I'm not so sure it's good for Hungary," said one industry analyst. "The deal will give Danubius a commanding position and, by owning the two chains, it can make a lot of savings in areas like marketing. But selling Hungaria to one of the other bidders would have created some competition for Danubius. That would have been better for consumers."

The deal follows Danubius' purchases this year of Budapest's Thermal Hotel Helia from a state bank and the city council, and the Hotel Gellert, which it already managed, from the APV.

Danubius specialises in spa hotels, one of the best performing segments of the local market. It boasts occupancy rates of more than 65 per cent compared with about 53 per cent at Hungaria and nearly 60 per cent at Pannonia, a chain owned by Accor of France.

Its chairman is the publicity-shy Mr Bernard Schreier, the UK businessman behind CP Holdings, who said recently his investments in Hungary topped $60m. As well as Danubius, his companies are active in car dealerships, petrol stations and flour milling.

Virginia Marsh

Coles Myer says Yannon affair has been settled

By Nikki Tait in Sydney

Coles Myer, Australia's largest retailer, said it had settled the controversial "Yannon" affair, and would receive A$12m (US$9.5m) as a result. All civil lawsuits will be dropped, with no admissions of liability by any of the parties involved.

The Yannon affair blew up almost a year ago, in the wake of Coles' decision to sack its newly-arrived finance director, Mr Philip Bowman. It centred on revelations that, in 1990, a private company set up by CS First Boston Australia and called Yannon, acquired convertible preference shares in Premier Investments.

Premier was controlled by Mr Solomon Lew, the then Coles chairman, and had issued the shares to help finance the purchase of a large block of Coles' stock. When the deal was arranged, Coles agreed to provide compensation to CSFB if Yannon made a loss.

Mr Alan Goldberg, a barrister called in by Coles to scrutinise the arrangements, concluded that the Yannon deal did not amount to Coles financing the purchase of its own shares – which would be illegal in Australia. But he did confirm that Coles had paid out almost A$18m on the transaction, while interests related to Mr Lew gained a similar amount.

In its statement, Coles did not reveal how much different parties had contributed to the settlement, and Mr Nobby Clark, Coles' new chairman, said that details would remain confidential. CSFB's Mr Lew, "certain former executive directors of the company", and a couple of legal and accounting firms were among the parties to the settlement.

However, in a letter to the stock exchange, Coles directors stressed it had been operating in full co-operation with the Australian Securities Commission, the securities industry watchdog which has also been looking into the Yannon matter.

They said that, after having access to some of the evidence given to the ASC, Coles was no longer relying on Mr Goldberg's advice "in forming its current view of the Yannon transaction".

They added that the ASC was satisfied that the A$12m settlement was "a fair and appropriate outcome of the civil claims". The ASC has yet to indicate whether it will pursue any charges of its own.

In the wake of the Yannon revelations last year, Coles' institutional shareholders – which were already unhappy about the group's corporate governance standards – pushed for extensive board changes at the retailer. As part of the changes, Mr Lew stepped down to become vice-chairman.

Nobby Clark, Coles chairman, says details are confidential

Microsoft forced to replace flawed Internet Explorer

By Tom Foremski in San Francisco

More than 1m users of Microsoft's latest web browser, Internet Explorer 3.0, will require a new version in order to avoid a potentially serious problem discovered by US computer security experts that could damage data on PCs.

Two computer security experts at Princeton University's Safe Internet Programming Group said they discovered a flaw in Microsoft's Internet Explorer 3.0 that, under specific conditions, would allow malicious computer hackers to erase data on users' hard drives.

Microsoft said it was working on a remedy and would post a new version of Internet Explorer on its web site as soon as possible. It said it had received no complaints from users and that the bug had only been found in the research laboratory.

A week ago Microsoft admitted that the Explorer 3.0 software had a bug which forced users to repeatedly re-enter their registration data.

Analysts said security bugs in Internet Explorer and rival web browser Netscape Navigator would continue to surface as larger numbers of users test out the software.

Meanwhile, leading US Internet software group Netscape Communications is today due to announce that it will develop software for the new network computers which could challenge PCs in key applications.

Netscape will announce the development of Netscape Navigator Internet software and applications that will run on network computers and non-PC devices such as TVs. The products will feature software written in the Java computer language, which is designed for Internet applications.

Supporters of network computers say they will be cheaper than PCs and easier to use. Several US and European computer companies are planning to introduce network computers this year selling for about $500 each.

Network computers will have little local data storage, such as hard drives, and will download applications as needed, through network connections or over the Internet. Some will use a TV as a display instead of a computer monitor. US software group Oracle has similar plans to offer software for network computers.

Another announcement expected today is from Hewlett-Packard, the US computer and electronics group, which is launching a computer workstation line based on Intel microprocessors and the Microsoft Windows NT operating system. HP hopes the new line will help it recover from a downturn in sales. Earlier this month it reported a 26 per cent fall in third-quarter profits.

The HP Vectra XW will become available at the beginning of October.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global investor / Richard Lapper

Junk bonds regain their appeal

Junk bonds do not have a good reputation - but with yields in international bond markets still relatively low, maybe these high-yield corporate securities are worth another look. Certainly, judging by the number of successful issues this year, some investors are clearly thinking along these lines.

More than $42bn has been raised in junk bond issues in 1996 to date and if issuance continues at its present pace, the total amount of money raised for the year as a whole could exceed the $59.4bn issued in 1993, according to Morgan Stanley, the US investment bank.

And unlike the late 1980s, when US savings and loans institutions were heavy buyers of junk bonds and the market's collapse contributed to the crisis in the sector, today's high-yield corporate market appears to be attracting a broader range investors. Morgan Stanley says cash flows into the sector are coming from insurance companies, pension funds, money managers, and equity income funds in the US, and some overseas investors.

Why the growth in popularity? Relative stability in the US Treasury market - yields on 30-year bonds have varied by only about 100 basis points this year, compared to about 170-190 basis points during 1993, 1994 and 1995 - has reduced the scope for gains from pure interest rate plays, making investors more willing to assume credit risks, such as junk bonds and high-yield sovereign paper, such as Brady bonds.

The market has also become particularly attractive since the correction in the US equity markets in mid-July. Investment flows into high-yield mutual funds, such as those managed by Boston-based Fidelity, have surged over the last few weeks, rising to $4bn in the first three weeks of August, the highest monthly figure for more than 18 months, with new investments of $777m in the first week of the month, the highest ever figure.

Investors have also been attracted by a decline in the number of defaults by companies which issued junk bonds, which carry or would carry sub-investment grade ratings from rating agencies. According to Moody's Investor Services, the rate of defaults over the previous 12 months has fallen from 3.56 per cent of all issues rated by the agency at the end of March to 2.72 per cent at the end of July.

Moody's says average yields on junk bonds have fallen, with the spreads over Treasuries dropping from 397 basis points at the end of January to 327 basis points at the end of July.

Issuance has been heavily concentrated in some sectors. High-yield bonds are particularly attractive ways for cable television companies, telecommunications and some media businesses - which require heavy upfront investment but which could generate relatively stable earnings in the long-term - to raise funds. Junk bonds provide cheaper capital than would be available in the equity market and also allow the owners of new businesses to raise sizeable sums of money without sacrificing control.

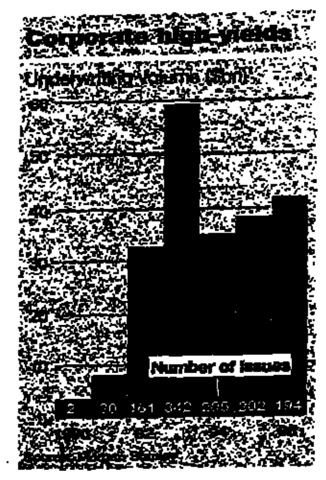
Not surprisingly, therefore, telecommunications and media businesses accounted for 45 per cent of junk bond issuance over the last two and a half years, according to Morgan Stanley. But there are signs that the market is becoming more discriminating than it was in the late 1980s.

According to Morgan Stanley, more than 30 attempted high-yield issues - which had been aiming to raise a total of more than $5bn - have failed in the last 18 months. And there are signs that the market, historically a sub-sector of the US corporate bond market, is becoming more truly international.

In the last 12 months, for example, European companies have raised a total of more than $4bn in high-yield corporate issues, bringing the total raised by companies on the continent since 1993 to more than $6bn. Issuers include Ionica, a UK company offering wireless-based telephone services, which has raised some $150m in high-yielding bonds, and Kabelmedia, Germany's largest dedicated private cable television operator, which raised $100m.

Although the majority of the Ionica and Kabelmedia paper was bought by the same US high-yield funds and mutual funds which provide support for the US market, European institutions are beginning to show interest, buying 15 per cent of the Ionica issue and 20 per cent of the Kabelmedia deal, says Morgan Stanley.

The real test will be when that investor pool is big enough to allow European borrowers to raise junk in their own currencies. That may be some way off but after this year's deals it does begin to look a real possibility.



Total return in local currency to 22/8/96

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.06	0.07	0.17	0.11
Month	0.45	0.05	0.26	0.31	0.73	0.48
Year	5.06	1.06	4.48	5.86	10.83	7.06
Bonds 3-5 year						
Week	0.20	0.25	0.11	0.48	0.27	0.48
Month	1.24	1.30	0.88	0.68	0.02	1.24
Year	6.19	4.13	8.64	10.98	19.57	10.00
Bonds 7-10 year						
Week	-0.01	0.35	0.05	0.37	0.30	0.45
Month	1.65	1.92	1.30	0.87	0.00	1.57
Year	6.40	5.68	10.13	13.69	24.73	10.55
Equities						
Week	1.2	1.6	0.2	1.5	1.1	1.4
Month	6.1	1.3	3.3	2.7	-0.7	0.0
Year	22.4	14.2	14.0	8.9	8.4	14.8

Source: Cash & Bonds - Lehman Brothers. Equities - FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE

Compiled by AFX News

Mobile phones fuel growth at Telefónica

Telefónica de Espana, Spain's partly-privatised telecommunications group, is expected this week to report net profit after minorities of Pta70.3bn-Pta72bn ($572m) for the six months to June, up from Pta60.2bn a year earlier, according to analysts' forecasts.

The profit increase will be fuelled by strong growth in income from mobile phones, higher revenue from basic telephony and important contributions from Telefónica's Latin American units. Lower financial costs, due to recent interest rate cuts, will help offset any increase in extraordinary charges.

Mr Jonathan Shantry, analyst at Credit Lyonnais Securities, expects a 20 per cent rise in net profit after minorities to Pta72bn. Earnings growth would be "principally because the mobile phones side of the business is exploding", he said.

■ **Foster's Brewing:** Is expected today to report net profit of A$255m-A$280m ($228m) for the year to June, analysts said.

For the previous 12 months the Australian brewing group posted net profit of A$347.4m.

Analysts said interest was likely to focus less on the actual profit figures and more on the group's efforts to diversify and expand its operations. This included Foster's moves into the wine sector and into China, potential acquisitions and the standing of Broken Hill Proprietary as a long-term investor, they said.

"It doesn't really matter whether they return A$260m or A$280m. It's what the company is going to do to restore earnings growth," Mr Michael Heffernan, analyst at Shaw Stockbrokers, said.

■ **VNU:** The Dutch media group is expected tomorrow to report net profit of Fl 132m-Fl 141m ($84m) for the six months to June - Fl 0.70-Fl 0.75 per share. This compared with Fl 126m or Fl 6.65, analysts said.

VNU had a 10-for-1 share split in February.

In the first half of 1995 VNU booked a net extraordinary gain of Fl 160m from the sale of its US unit, which brought net profit to Fl 286m, or Fl 15.11 per share.

Analysts said they were not expecting any significant exceptional items for the first half of this year.

■ **AssiDomän:** The Swedish pulp and paper group is tomorrow expected to report a profit before financial items for the six months to June of SKr1.15bn-SKr1.4bn ($211m), compared with SKr2.4bn a year earlier, according to a survey of analysts by Direkt, the Swedish news agency. The average expectation is for a first-quarter profit after financial items of SKr1.26bn.

■ **Rolls-Royce:** The UK aero-engines and industrial power group publishes interim results on Thursday. Analysts are expecting pre-tax profits of £66m-£99m before exceptionals, compared with £70m ($168m).

However, the group will slip into the red after taking into account the £248m cost of disposing of its steam power engineering business. Analysts will be looking closely at the performance of the spares division after the new aircraft sales boom of 1989 begins to come through in terms of increased spares sales.

■ **W. H. Smith:** The retailer will want to stress how it is getting to grips with its problems rather than dwell too much on its performance in the 12 months to June 1 when it reports on Wednesday. The pre-tax loss will be about £200m ($310m) - the worst in the group's 204-year history - after £140m of restructuring charges and associated £145m in goodwill write-offs.

Analysts will focus more on underlying profits, which are expected to be £75m-£88m, after £115.3m last year.

■ **Ladbroke:** The hotel and gaming group is expected on Thursday to report half-year pre-tax profits of £62m-£70m, up from £56.5m ($88m) for the six months to the end of June last year. The improvement is expected mainly on the back of growth in its Hilton International hotels division. The betting business is expected to be on the way to recovery after the assault by National Lottery scratch cards in March 1995.

The main focus of attention will be on the six-month talks with Hilton Hotels Corporation about uniting the Hilton brand worldwide. However, hopes are fading in the market of a far-reaching structural agreement.

■ **T&N:** The specialist engineering and motor components group is expected to announce reduced first-half profits of £50m-£55m, against £73.2m ($113m), on Thursday. The group, which is considering insurance schemes to cap its asbestos liabilities, is likely to blame the shortfall on destocking and the absence of profits from its African asbestos mines, sold earlier this year.

■ **Reckitt & Colman:** The household products group is expected to report interim pre-tax profits on Thursday of about £165m ($256m), against £149.6m pre-exceptionals from the same period last year.

Interest will be focused on European trading, which was described as competitive by Mr Alan Dalby, chairman, at the group's annual meeting. Analysts will also be keen to garner news on the continuing integration of Lehn & Fink Products, the US household products group purchased last year.

INTERNATIONAL EQUITIES

PNG issue to end summer drought

The flotation of Papua New Guinea's Mineral Resources Development Company, which holds the government's stake in a number of oil and gold projects in the country, is set to be one of the first offerings to come to the international equity market after the summer break.

Flemings and McIntosh are jointly arranging the sale of 49 per cent of the company, which is expected to raise between $150m and $175m for the PNG government. The offering is scheduled for mid-September.

The company, which Flemings says is to be floated under the new name of Orogen, will be listed in Sydney and London, though international investors will be given the choice of buying shares or Global Depositary Receipts (GDRs).

The PNG government will no doubt be hoping for the same stock market success enjoyed so far by Lihir Gold, which is developing a large new gold mine in PNG's New Ireland province. Lihir Gold was floated last October at A$1.57 a share and the price has since risen to A$2.30.

A pipeline of Asian offerings is building up for September and beyond, but the uneasy political situations in some parts of the region could dampen investor demand.

The South Korean stock market, for example, has fallen to a three-year low following the confrontations between police and students campaigning for the reunification of North and South Korea.

Bankers say investors are also cautious about Indonesia and, to a lesser extent, India.

Taiwan, the Philippines and Malaysia are likely to produce some interesting issues in coming months. BZW is about to launch the $65-$70m GDR offering for Lite-On, a Taiwanese technology company. The international roadshow starts in Singapore on Thursday, and then goes to Hong Kong, London and the US.

Flemings and Merrill Lynch are jointly arranging the $400m-$500m flotation of Smart Communications, the Philippines' second largest telecoms company, in what would probably be the largest initial public offering in Manila this year. Smart is a joint venture between Metro Pacific, the local arm of Hong Kong-based First Pacific, and NTT of Japan.

Flemings is also preparing a $100m sale of shares in Universal Rightfields, a Philippine property developer.

Lehman Brothers is close to launching the $400m GDR offering for State Bank of India. The issue coincides with a heavy drop in the Bombay stock market but will be helped by the fall in the average GDR premium over domestic shares from the mid-teens to parity.

The equity-linked market in Asia is also stirring, with Flemings and Merrill Lynch preparing a $100m convertible-bond offering for Sun Gai Wai, a Malaysian construction company. Japan is also a source of such offerings. On Friday, Sakura Bank said it planned to raise Y150bn through its second issue of convertible preferred stock, via Merrill Lynch.

Bankers expect a spate of European equity offerings in the next two months as vendors seek to avoid the flotation of Deutsche Telekom in November. One of the first post-summer deals will be a 10 per cent capital increase by Denmark's BG Bank, formed this year by the merger of Bikuben Bank and the Post Office's GiroBank. The shares, which will be freely distributed by an international bank syndicate led by JP Morgan, are expected to raise between $100m and $125m.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	FRIDAY AUGUST 23 1996 — US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY AUGUST 22 1996 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 52 week High	52 week Low	Year ago (approx)
Australia (80)	207.55	0.4	197.98	142.32	160.50	174.74	0.7	4.24	206.79	197.96	141.80	160.82	173.51	212.18	179.59	179.59
Austria (24)	179.91	1.4	171.62	123.37	139.12	139.03	0.9	2.02	177.37	169.79	121.62	137.94	137.85	195.04	168.11	183.14
Belgium (27)	217.98	0.8	207.93	149.47	168.56	164.86	0.1	4.04	216.67	207.42	148.57	168.51	164.58	217.98	187.17	187.63
Brazil (28)	176.61	-0.6	168.47	121.11	136.57	330.03	-0.5	1.94	177.59	170.00	121.77	138.11	331.69	189.70	123.97	159.56
Canada (118)	164.38	0.2	156.80	112.72	127.11	163.06	0.1	2.20	164.00	157.00	112.46	127.54	162.81	165.12	134.14	147.39
Denmark (30)	318.05	0.3	303.39	218.09	245.94	248.59	-0.2	1.85	316.97	303.43	217.34	246.51	249.15	319.23	276.89	282.09
Finland (23)	209.51	0.9	199.85	143.66	162.01	198.57	0.6	2.52	207.71	198.84	142.42	161.54	197.41	276.11	171.73	284.49
France (95)	191.35	0.7	182.53	131.21	147.97	152.39	0.2	3.17	190.10	181.98	130.36	147.84	152.03	198.39	167.70	180.45
Germany (58)	175.82	0.5	167.71	120.56	135.95	135.95	-0.1	1.80	174.95	167.48	119.96	136.06	138.06	176.72	155.66	158.52
Hong Kong (59)	437.80	-0.5	417.61	300.21	338.54	434.62	-0.5	3.37	439.88	421.10	301.82	342.10	436.78	451.19	353.65	356.58
Indonesia (27)	190.23	1.2	181.46	130.45	147.10	273.65	1.4	1.74	167.92	179.88	128.85	148.14	269.87	–	–	–
Ireland (16)	286.44	0.7	273.24	196.42	221.50	250.08	0.3	3.49	284.36	272.22	194.98	221.14	249.30	290.82	238.42	241.33
Italy (58)	77.28	0.8	73.72	53.00	59.76	87.43	0.3	2.48	78.66	73.39	52.57	59.62	87.14	84.53	67.22	79.63
Japan (481)	148.95	-0.4	142.09	102.14	115.18	102.14	-0.4	0.75	149.58	143.19	102.56	116.33	102.58	164.66	137.75	147.88
Malaysia (107)	554.96	0.2	529.37	380.54	429.14	532.94	0.2	1.70	553.57	529.93	379.57	430.51	532.01	585.09	425.77	521.08
Mexico (19)	1296.86	-1.0	1237.07	889.28	1002.84	10807.48	-0.9	1.26	1309.61	1253.70	897.98	1018.48	10701.03	1325.65	791.99	1119.29
Netherland (19)	301.49	-0.3	287.59	206.74	233.14	229.40	-0.9	3.17	302.34	289.43	207.31	235.13	231.44	304.24	246.70	247.57
New Zealand (15)	86.08	1.8	82.11	59.03	66.56	65.87	1.4	4.18	84.59	80.98	58.00	65.78	64.93	86.08	75.94	79.01
Norway (35)	250.02	0.5	238.49	171.44	193.33	218.39	0.0	2.07	248.70	238.08	170.53	193.41	218.36	256.94	222.24	228.68
Philippines (22)	208.50	1.7	198.89	142.97	161.23	272.24	1.7	0.60	205.05	196.30	140.60	159.47	267.78	–	–	–
Singapore (44)	401.97	0.1	383.44	275.64	310.84	261.28	-0.0	1.46	401.75	384.80	275.48	312.44	261.29	465.21	380.48	365.99
South Africa (44)	325.89	2.3	310.86	223.46	252.00	323.41	2.0	2.31	318.57	304.97	218.44	247.75	317.17	437.78	314.20	350.93
Spain (37)	178.17	0.7	169.95	122.17	137.77	169.58	0.3	3.45	176.89	169.34	121.29	137.57	169.15	183.85	145.15	182.65
Sweden (48)	360.17	0.1	343.56	246.97	278.51	351.95	-0.4	2.42	360.00	344.83	248.84	279.97	353.51	360.77	281.96	286.80
Switzerland (37)	252.84	1.0	241.18	173.38	195.51	188.43	0.2	1.57	250.39	239.70	171.89	194.73	187.98	252.84	194.67	195.30
Thailand (45)	145.56	2.1	138.85	99.82	112.56	142.96	2.2	2.36	142.51	136.42	97.71	110.83	139.96	193.95	138.75	169.49
United Kingdom (200)	245.92	0.8	234.59	168.63	190.17	234.59	0.4	4.07	244.02	233.60	167.32	189.77	233.60	245.92	218.58	219.89
USA (625)	271.72	-0.5	259.19	186.32	210.12	271.72	-0.5	2.17	273.09	261.43	187.25	212.38	273.09	276.47	227.31	227.31
Americas (790)	248.60	-0.5	237.14	170.47	192.24	209.03	-0.5	2.16	249.78	239.11	171.27	194.25	210.03	252.43	208.68	208.68
Europe (707)	215.93	0.6	205.98	148.07	166.98	185.98	0.1	3.06	214.60	205.44	147.15	166.89	185.72	215.93	189.82	191.09
Nordic (136)	312.14	0.2	297.74	214.04	241.37	287.20	-0.2	2.31	311.35	298.05	213.48	242.13	267.80	312.14	261.13	274.20
Pacific Basin (890)	162.76	-0.3	155.26	111.62	125.87	113.81	-0.3	1.22	163.27	156.30	111.95	126.97	114.13	177.01	148.86	167.90
Euro-Pacific (1597)	184.80	0.1	176.28	126.72	142.90	141.07	-0.1	2.11	184.53	176.65	126.53	143.51	141.18	180.57	168.51	171.83
North America (743)	265.17	-0.5	252.95	181.83	205.05	264.52	-0.5	2.17	266.41	255.04	182.67	207.19	265.77	269.52	222.38	222.38
Europe Ex. UK (507)	194.84	0.5	185.88	133.61	150.67	158.39	0.0	2.50	193.81	185.53	132.89	150.72	158.42	194.88	169.65	171.40
Pacific Ex. Japan (399)	288.83	0.2	275.51	198.06	223.35	249.15	0.2	3.01	289.37	276.06	197.73	224.27	248.82	298.68	243.59	254.05
World Ex. US (1796)	186.02	0.2	177.44	127.56	143.85	145.66	-0.1	2.11	185.70	177.78	127.33	144.42	145.73	191.55	167.36	172.83
World Ex. UK (2221)	208.33	-0.2	198.68	143.54	161.87	176.75	-0.3	1.94	208.77	200.81	143.83	163.13	177.29	213.05	185.81	186.46
World Ex. Japan (1940)	247.11	0.0	235.72	169.45	191.08	232.86	-0.2	2.52	247.19	238.63	169.49	192.24	233.31	247.55	212.80	212.86
The World Index (2421)	212.30	-0.1	202.71	145.72	164.33	181.92	-0.2	2.14	212.75	203.67	145.88	165.46	182.35	214.95	189.71	189.38

CONSTITUENT CHANGES WITH EFFECT 26/8/96: Deletions: Docks de France (France), Gold Mines of Kalgoorlie (Australia) and PosGold (Australia).

MARKETS: This Week

NEW YORK

The July durable goods report sent a tremor through the US bond market at the end of last week by indicating an unexpectedly strong pick-up in manufacturing activity.

The benchmark 30-year long bond fell 1¼ points on Friday night, driving the yield up to 6.989 per cent, as an uncomfortable re-evaluation of the outlook for fixed-income securities set in.

Earlier this month there was widespread optimism that the second half of the year would show a decisive slowdown in US economic growth. But Friday's figures, coming on top of other disappointing economic data, have weakened the assumption that growth is easing quickly enough to rule out an increase in interest rates.

A further concern is that economic data due this week will do little to alleviate those worries. On Thursday, for example, some analysts think the Bureau of Economic Analysis will have pushed up its estimate of second-quarter growth even higher than 4.2 per cent already reported.

The Conference Board's index of consumer confidence, due tomorrow, probably fell from 107.2 in July to 105 in August,

according to economists surveyed by MMS International; but any reading above 100 suggests assumptions of robust economic growth.

On the other hand, the National Association of Realtors' figures for sales of existing homes, due today, and the Commerce Department's figures for new home sales, due Thursday, should indicate that the residential property market is responding to higher mortgage rates.

LONDON

The London stock market starts the week from the vantage point of an all-time high, in the wake of a wave of European interest rate cuts triggered by the Bundesbank's surprisingly large reduction in the repo rate on Thursday.

The FT-SE 100 climbed above the 3,900 level on Friday, having gained 275 points since the middle of July with barely a pause for breath. The international environment has helped, as fears faded that the US Federal Reserve would raise rates, but UK economic data have shown few signs of inflationary pressure. Gilt yields have dropped well below 8 per cent, at the 10-year level.

Rallies normally run out of steam at some point and the current bull phase has occurred in low volume, with suggestions that some institutions may be trying to "catch up" with the market.

In the absence of much domestic economic news, the main focus of the markets' attention this week will be on corporate results and on the indications in trading statements of the likely strength in earnings growth in the second half of this year and the first part of 1997.

The main results news comes from the leisure

company Ladbroke, the engineering companies Rolls-Royce and T&N, retailer WH Smith and the household goods company Reckitt & Colman.

So far this year, there have been signs of a two-speed economy, with the consumer sector reviving while manufacturing has been in the doldrums. Analysts will be looking for signs that the cycle is turning in favour of the manufacturers, as the stock overhang unwinds.

FRANKFURT By Andrew Fisher

Bundesbank watchers had a red-letter day last week. Markets around the world were taken aback by the German central bank's decision not just to cut one of its key rates, but to do so with unexpected vigour.

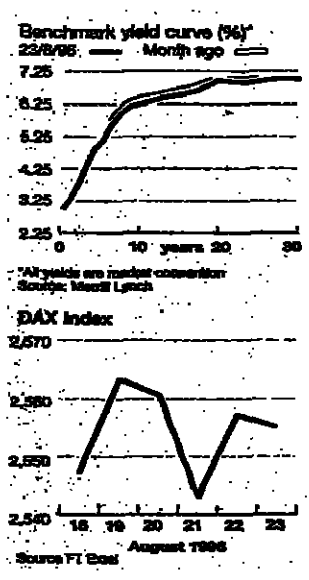
With one eye on the Germany economy and one on the French franc, the bank cut the securities repurchase (repo) rate from 3.30 per cent to a new low of 3 per cent on Thursday.

Bond, stock and currency markets reacted favourably, although their enthusiasm became more muted on Friday. Mr Hans Tietmeyer, the Bundesbank's president, said that with Thursday's decision, "we have created clarity for the time being".

With interest rate speculation out of the way – although some economists do not rule out further downward moves – markets will now look to events abroad, especially in the US.

"The repo move, by taking account of wider economic growth needs, should harden European governments' resolve to implement fiscal discipline.

"With inflation low or already falling, the trend toward lower public deficits should provide the greatest benefit to high-yielding European bond markets," said Salomon Brothers.



Mr Norbert Braems at BZW sees only limited potential for the German bond market, despite the further steepening of the yield curve. In the US, he noted, US interest rates were on the way up, not down.

Bonds eased on Friday, while German shares marked time. Wall Street and the dollar will help determine their performance this week, with interim results from Daimler-Benz and Lufthansa the main focus of attention.

TOKYO By Emiko Terazono

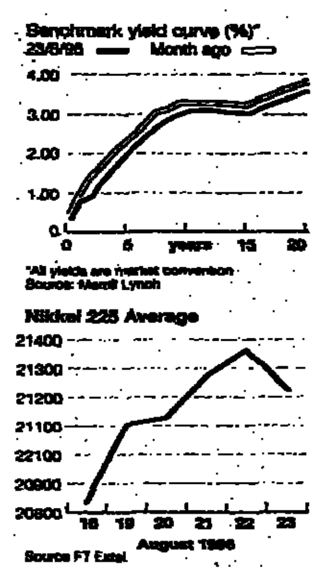
The focus of the markets attention this week will be on the Bank of Japan's *tankan* quarterly survey of business confidence.

Although concern about the economy's fragile recovery has eased fears of an imminent tightening in monetary policy, the report is expected to indicate a moderate improvement in sentiment, with a rise in capital expenditure forecast.

The manufacturing sentiment indicator could break into positive territory for the first time since 1991, with sentiment indices for medium-sized and small companies also improving, says Mr Peter Morgan, economist at James Capel Pacific in Tokyo.

Policymakers are expected to focus on capital spending figures, which will be an important indicator of whether the private sector can take up the slack in demand caused by the wearing off of the effects of public works, which helped the economy in the first quarter of this year.

If the figure is in line with consensus, bonds and euroyen futures could rally, although the advance will probably be limited since bond prices have already discounted the likelihood that the central bank will not raise interest rates after



the *tankan*'s release, says Mr Marshall Gittler, bond market analyst at Merrill Lynch in Tokyo.

Although last week's decision by the US Federal Reserve to leave US interest rates unchanged has meant that Japan, which is nervous of a rebound in the yen, will also not alter its monetary policy, a strong August *tankan* will suggest that the next report may be the trigger for a shift in monetary policy in November.

COMMODITIES

Copper trade watches China

The attention of copper traders is likely to be focused on Singapore this week, as they watch for signs of the Chinese selling they fear could undermine the market.

About 100,000 tonnes of the metal is estimated to have been shipped from London Metal Exchange warehouses into Shanghai stores over the past two months and the big question facing the market is whether or not the Chinese authorities will decide to deliver some or all of it back into the world market, presumably via the Singapore warehouse.

Bloomsbury Minerals Economics suggested in its Copper Briefing Service publication last week that this could make the difference between the LME copper price averaging $1,750 or $1,875 in the first half of next year.

Bloomsbury said the issue was all the more crucial as its latest calculations indicated that the global market surplus of copper was much smaller than had been thought previously.

Some senior LME traders told the Reuters news agency at the end of last week that they doubted that China would sell the copper as restrictions on scrap imports meant that it needed to increase its physical holdings of the metal.

"Given that demand currently far exceeds internal supply, the Chinese would appear to need to continue importing concentrate and refined product to meet needs for the foreseeable future," said Mr Chris Pearson of the Flemings Global Mining Group.

● Events due this this week include the two-day Peruvian National Mining Congress, which begins in Lima today.

Also today, Centromin, the state mining concern, will be receiving technical and economic bids for the Yauricocha polymetallic mine – the winners are likely to be announced tomorrow.

In Hamburg tomorrow, the town's grain exchange will be hosting an informal northern European grain trade meeting.

OTHER MARKETS Compiled by William Cochrane

PARIS

The rate cut by the Bank of France on Thursday came as a welcome relief, but the problems for the economy are far from over, in spite of the positive reaction from the equity market, *writes John Pitt.*

Some commentators thought the decision to move in tandem with the Bundesbank (the 20 basis point cut in the French intervention rate followed within 30 minutes of the German announcement) was politically inspired.

They felt the Bank of France had come under increasing government pressure to ease rates, although the decision to do so should take the pressure off the franc – which had come under attack by speculators over the previous two weeks, and should now enter a more settled phase.

Nevertheless, with budget negotiations fully under way and Mr Alain Juppé, prime minister, due to hold a weekend "think-tank" with President Jacques Chirac, there is speculation that the franc could face a renewed attack next month.

ZURICH

Pharmaceutical stocks are news. Deutsche Morgan Grenfell, the research arm of Deutsche Bank, downgraded its earnings projections for Merck in Germany last week, but upgraded them for Roche in Switzerland.

Goldman Sachs downgraded Roche EPS estimates, but retained the stock's priority list rating. It also "strongly" reiterated its priority list recommendations for Ciba and Sandoz, the components of the planned Novartis merger.

UBS Global Research expects Ciba to report a rise of 10 per cent in net profits on Wednesday, and Sandoz a rise of 15 per cent. It notes that the Swiss equity market has recovered further from its bout of weakness in July and that, primarily driven by good interim results, it is again approaching its all-time high.

Half-year figures are also due on Wednesday from Alusuisse. Now in three main divisions – chemicals, packaging and aluminium – the group has been on a flat share price trajectory this year, with brokers concerned following a 1995 re-rating to growth stock status.

On Friday, the market will receive the interim report from Swissair, which has slipped since a peak in late March. The airline's shares doubled between October and March, on euphoria over the tough cost-cutting steps taken by its new chief operating officer Philippe Bruggisser. However, in spite of a sheaf of recent initiatives, including cost cutting and the potential introduction of inflight casinos, Swissair is likely to report its traditional first-half loss.

HONG KONG

Brokers are expecting quiet trading after last week's rally saw the benchmark Hang Seng Index gain 2.2 per cent, to close on Friday at 11,424.64, *writes Louise Lucas.* Friday itself had already seen a reaction, with today's bank holiday encouraging a bout of profit-taking.

In the absence of news from the US on interest rate rises, the property sector – which was boosted last week by expectations of Cheung Kong's strong interim results – will remain a dominant force.

However, the cut in China's interest rates is expected to continue whipping up interest in the H shares, of Hong Kong-listed China enterprises, a number of which report their interim results today. Other companies with strong China exposure could also benefit.

On the corporate front, eyes will be focused on Citic Pacific, the Hong Kong-listed arm of Beijing's premier investment vehicle. The company, which holds stakes in the territory's key telecoms and aviation companies, reports its interims on Wednesday.

BoJ report will bring Asia under the spotlight

After Europe being the centre of attention in August, the markets' focus will switch to Asia mid-week, when the Bank of Japan releases its important *tankan* economic report.

The *tankan* – the quarterly survey of investor confidence – will be released by the central bank on Wednesday, a week earlier than previously.

The survey is seen as having a large influence on the bank's monetary policy. It is an important indicator of the level of demand the private sector is likely to generate in the second half of the year to March.

The diffusion index, which measures business sentiment, is expected to improve on the back of low interest rates and a weaker yen. But the Bank of Japan is thought to want evidence of a broader recovery before raising interest rates.

The fall-out from the Bundesbank's decision to cut its repurchase rate by 30 basis points last Thursday will continue this week.

Many analysts suspect further cuts to be distant, and are expecting upwards pressure on the D-Mark against the dollar and the French franc to resume. If so, then the Bundesbank's attempt to hold down the D-Mark may be undone sooner than it expected.

Any D-Mark strengthening will concern the Bank of France. By the end of the week, the spotlight may again turn on Paris's budget, to be announced on September 18. Mr Jacques Chirac, the French president, and Mr Alain Juppé, prime minister, spent the weekend trying to balance cuts in spending with tax reductions. In the meantime, French industrial production data on Wednesday could show signs of further stagnation.

This week sees little economic news of note in the US. The end of the Democrat party conference in Chicago will signal the start of the presidential campaign. But the long Labor Day weekend to come means it could be a quiet week in the US.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
HSBC (UK)	First Federal Savings & Loan (US)	Banking	$620m	Consolidation continues
Hoechst Schering AgrEvo (Germany)	Plant Generic Systems (N'lands)	Biotechnology	$550m	World-topping move
CRH (Ireland)	Tilcon (US)	Building mats	$200m	BTR to sell
Archer Daniels Midland (US)	Gruma (Mexico)	Food	$258m	Initial 22% stake
Sun Intl (Bahamas)	Griffin Gaming & Entertainment (US)	Gambling & recreation	$210m	Continues US expansion
Unilever (UK/N'lands)	Lloyds Irish Holdings (Ireland)	Tea	$40m	Offer stays unchanged
Barlow (S Africa)	Taubmans (Australia)	Paints	$27m	Courtaulds sale
Protean (UK)	FTS Systems (US)	Refrigeration	$25m	Niche purchase
Smit Intl (N'lands)	Land & Marine (UK)	Civil eng	$18m	Costain sale
Polygram (N'lands)	Go! Discs (UK)	Music pub	n/a	Dutch take control

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 23, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

	£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

MARKETS: This Week

EMERGING MARKETS By Jeremy Grant

Investors struggle in Vietnam

Of the dozens of investment proposals that have crossed Mr John Pike's desk in Vietnam, only a few have caught his eye. As chief investment officer for Finansa, a Bangkok-based fund management company, his job is to find suitable candidates for investment in by the Vietnam Frontier Fund, one of eight Vietnam country funds.

One proposal involved setting up a factory to manufacture tuk-tuks (three-wheeled scooters). The idea was to sell some to Ho Chi Minh City, which lacks a public transport system, and to export the rest. The deal went ahead, he says, with the fund making an investment of $1.6m.

But such proposals are rare. For the eight Vietnam country funds, the past few years have been a chastening and, so far, mostly unprofitable experience; and the type of investments they are making are, in many cases, a far cry from those first envisaged three to four years ago. At that time, investors in emerging markets were bullish, and there were hopes of a stock market being set up as early as 1994.

Since then, however, talk of an equities market has evaporated, forcing strategies to be radically altered, with managers packaging their own deals and functioning more like venture capitalists than portfolio investors.

The central bank, charged with overseeing the launch of a stock exchange, admits that the country does not yet have the expertise to run one. It has yet to decide on a regulatory framework and lacks a critical mass of suitable companies that could be listed. Analysts suggest only half a dozen might qualify for a listing soon.

"We don't see a stock exchange for at least another four years, and even when we do have the start of one, it's going to be so small that there are not going to be enough stocks for another 10 to 15 years to make a viable market for portfolio investors," says Mr Charles Moore of Guernsey-registered Indochina Asset Management, which manages the $71m Beta Vietnam Fund, one of the first Vietnam funds.

Because foreigners are not allowed to invest in local companies, the challenge is to locate investments of sufficient quality to guarantee target returns of between 25 and 30 per cent, while ensuring a secure exit strategy if a market takes longer than expected to materialise.

Managers spend most of their time criss-crossing the country in search of well-run projects with foreign investment that offer the prospect of good growth through hard currency returns, usually export earnings. The Vietnamese currency, the dong, is non-convertible.

Some managers, like Finansa, tend to pre-package investments, seeking government approval for a project before finding an industry partner that has an appetite for Vietnam and is willing to take majority control.

Funds will either co-invest with other corporations, exercising a put option two or three years after the project starts, or they will enter on a purely venture-capital basis.

But even this has its limitations. "The issue here is that there is a fairly limited number of business entrepreneurs who can write business plans and run with them," says Mr Guy Eugene of VietnamVest, investment fund manager of the Lazard Vietnam Fund.

Another problem is joint ventures. Most funds prefer wholly foreign-owned ventures, as joint ventures can mean protracted negotiations with Vietnamese partners and time spent conducting due diligence checks on the Vietnamese partner.

For most, the ideal exit is a foreign listing of the offshore vehicle used to invest in Vietnam. Frontier Fund has seen one of its investments, Australian mining concern Indochina Goldfields, listed on the Toronto Stock Exchange.

Others, like Dragon Capital, are taking a medium-term bet on the proposed stock exchange becoming a reality. Earlier this year, it completed a $5m convertible bond issue for REE Refrigeration, a private Vietnamese air-conditioning manufacturer in Ho Chi Minh City. The bonds will be converted into shares in 1998.

The deal was the first of its kind in Vietnam and, in spite of the tough environment faced by the funds, offers a sign that their original hopes for an exchange may not have been in vain.

Vietnam funds

Fund name	Manager	Size $m	Closed	Discount/ premium* (%)
The Vietnam Frontier Fund	Finansa	60	Jul 94	[illegible]
Beta Vietnam Fund	Indochina Asset Mgt	71	Sep 93	57
Templeton Vietnam Opportunities Fund	Templeton Asst Mgt	112	Sep 94	[illegible]
Vietnam Enterprise Investments	Dragon Capital	16.5	Sep 95	53
The Vietnam Fund	Vietnam Fund Mgt Co	60	[illegible]	[illegible]
The Lazard Vietnam Fund	VietnamVest	56	Jan 95	30
The Vietnam Investment Fund (Singapore)	KV Mgt Private (Keppel Corp)	60	92	40
UOB-Walden Vietnam Fund (Singapore)‡	UOB-Walden Cpt Mgt Private	30	Oct 95	nil

All funds listed in Dublin except Templeton's (listed in New York), Vietnam ... (Singapore) and UOB-Walden Vietnam Fund (Singapore) both unlisted. *Data as at 30 June 1996. †52% invested in publicly-listed companies with exposure to Vietnam; 2% invested directly. ‡UOB = United Overseas Bank of Singapore, Walden = Walden International Investment Group, a US based venture capital company

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	23/8/96	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (431)	158.18	+1.34	+0.86	-0.36	-0.23	+10.62	+7.19
Latin America							
Argentina (22)	86.74	-4.27	-4.69	-7.79	-8.24	-6.04	-6.51
Brazil (23)	238.01	-3.53	-1.46	-2.03	-0.84	+51.92	+27.90
Chile (16)	189.52	+3.24	+1.74	-5.28	-2.71	-6.15	-3.14
Colombia (14)	165.20	+1.65	+1.01	+4.82	+3.01	+0.95	-0.58
Mexico (24)	87.54	+2.95	+3.49	+9.00	+11.46	+13.95	+18.95
Peru(13)	1145.26	-20.72	-1.78	+17.92	+1.59	+76.31	+7.14
Latin America (112)	140.36	-0.21	-0.15	+1.67	+1.21	+17.22	+13.99
Europe							
Greece (18)	116.36	+7.67	+7.06	+7.46	+6.85	+18.39	+18.78
Portugal (20)	137.45	+0.55	+0.40	+1.20	+0.88	+20.99	+18.02
Turkey (25)	101.98	+3.36	+3.40	-2.67	-2.55	+19.18	+23.16
South Africa (30)	133.94	+1.57	+1.19	-7.00	-4.97	-19.44	-12.67
Europe (134)	118.86	+2.67	+2.30	-1.85	-1.53	-2.68	-2.20
Asia							
China (24)	47.25	+1.49	+3.27	+2.87	+6.46	+6.93	+17.19
Indonesia (31)	133.19	+3.78	+2.92	-8.59	-6.06	-5.45	-3.93
Korea (23)	102.02	-5.72	-5.31	-9.94	-8.88	-34.89	-25.48
Malaysia (23)	256.20	+5.05	+2.01	+5.52	+2.20	+28.84	+12.68
Pakistan (14)	77.53	+1.69	+2.22	-4.07	-4.99	+3.94	+5.35
Philippines (14)	332.74	+16.10	+5.09	+5.73	+1.75	+73.56	+28.39
Thailand (25)	210.45	+6.88	+3.38	-11.11	-5.02	-41.44	-16.45
Taiwan (31)	171.80	-2.04	-1.17	+3.32	+1.97	+40.97	+31.32
Asia (185)	215.15	+2.41	+1.13	-1.97	-0.91	+12.11	+5.96

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS

Long-term view may deliver in South Africa

Mr Trevor Manuel, South Africa's finance minister, is not saying whether he will appear at next month's European roadshow to promote the country's forthcoming D-Mark eurobond.

The arranging banks want Mr Manuel to join the governor of the Reserve Bank, Mr Chris Stals, in a morale-raising tour of the European institutions. But memories of the minister's last world tour in April, which failed to stem the collapse of the rand, are still fresh in Mr Manuel's mind.

The currency has lost a quarter of its value against the dollar since February, wiping out many of the spoils for foreign investors in the capital markets.

As it plumbed new lows of R4.58 against the dollar last week, foreign buyers notched up net bond sales of more than R240bn for the second successive week. The volatility has soured sentiment to such an extent that net purchases by foreign buyers have totalled only R2,351bn for the year to date, as substantial outflows have offset purchases of R103,401bn.

Uncertainty has been further fuelled by international currency speculators, who have pummelled the rand to a point where it is doubtful that anything Mr Manuel says will restore confidence. Vigorous denials have failed to abate rumours that 78-year-old President Mandela is unwell, or that Mr Stals is about to resign.

Mr Ben Hall, bond analyst at Hambros, says the nervousness is in part a reaction to the relative stability of South Africa's infant democracy. After years of recession and double-digit inflation, the economy is expected to grow by about 3 per cent this year and economists predict a 1 per cent rise in last year's inflation level to 8–9 per cent.

"Nothing is going to happen overnight to improve the situation any further," says Mr Hall. That premise will be tested on Wednesday when Mr Stals unveils money supply data for July.

Since raising the central bank rate to 16 per cent in April, Mr Stals has largely succeeded in containing inflationary pressures. But speculation has been rife that the latest devaluation could force a further increase in the bank rate.

"Chris Stals is sticking to his conviction that he will not have to raise the bank rate to keep the currency at R4.50–4.59. The longer he can hold out, the more expensive it is for speculators with short positions," says Mr Fran La Mantia, head of international fixed-income sales at Rand International in New York.

Media reports of violent crime and uncertainty over foreign exchange controls continue to upset sentiment. But most of the currency volatility has been driven by London-based speculators, say analysts. The rand settled at R4.54 to the dollar on Friday, after intervention by the Reserve Bank and position-squaring by UK dealers ahead of the weekend.

Propping up the rand has taken its toll on net gold and foreign exchange reserves, which fell by a third between February and July to R10.4bn, or five weeks' export cover. If the bank has to draw on short-term credit facilities or seek help from the IMF, the government may be forced into more rapid economic reforms.

Most analysts agree that clarity on a schedule for the abolition of exchange controls and moves towards privatisation would bolster investor confidence. But in the short term at least, the bearishness seems largely justified. "The currency has gone too far and most funds cannot stomach the volatility," says Mr La Mantia.

He recommends a policy of reduced exposure coupled with partial hedging against a further depreciation of the rand. In the longer term, conditions are more favourable. For sophisticated buyers with the stomach to take longer positions over two to three years, bonds yields of 15.50 per cent are better than in any other world market with reasonable liquidity.

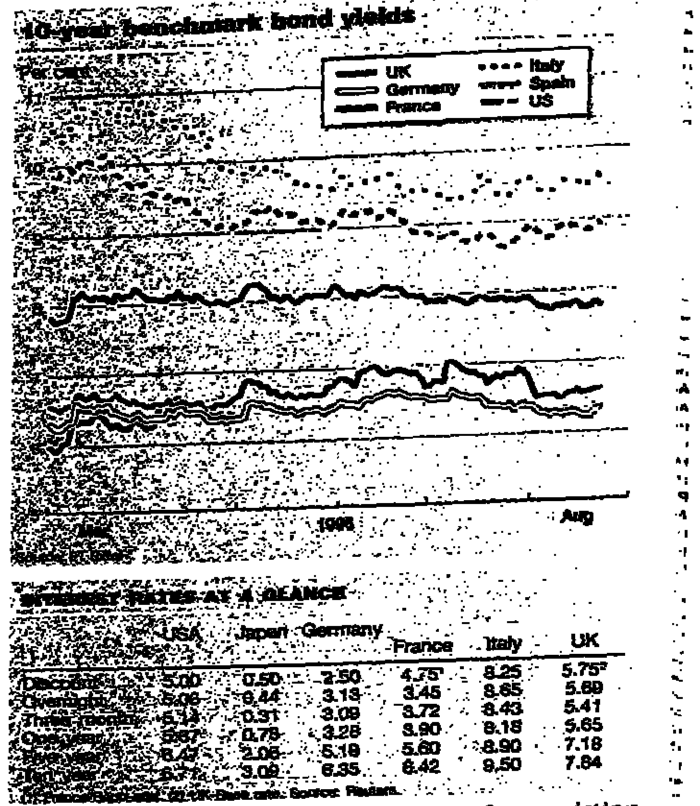
Despite the recent turbulence in South Africa's domestic markets, its outstanding international bonds have been faring well.

"We've seen a very good performance from existing eurobonds, especially the US dollar global bond, whose spread has been tightening despite the gyrations in the South African markets," said a bond syndicate manager in London. The bonds, launched in late 1994 to yield 193 basis points over US Treasuries, currently trade at around 150 basis points.

This has raised hopes that investors will look favourably upon the forthcoming D-Mark offering, likely to total DM400m to DM500m of five-year or seven-year bonds yielding 120 to 150 basis points over German government bonds at launch.

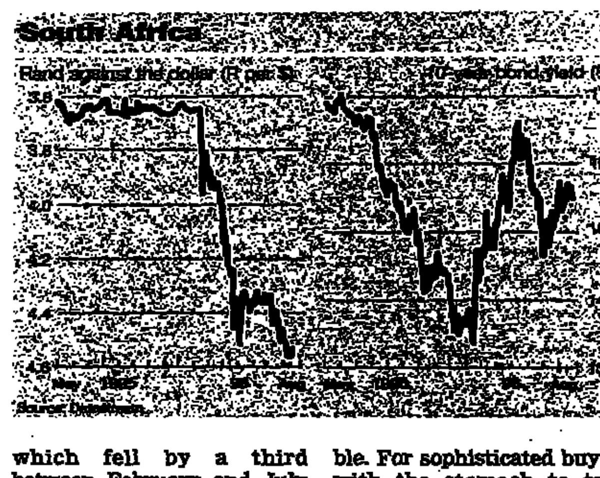
While some of this paper is likely to be placed with German retail investors – traditionally keen buyers of South African debt – more than half will be targeted at European institutions. The offering will be South Africa's first D-Mark issue since 1991, when it sold DM400m of bonds expiring this October.

In coming weeks, the government may also announce an US dollar Yankee bond, expected to total $250m to $300m. Dollar buyers are traditionally more sceptical of South African bonds than investors in Europe, who acquired a taste for the generous premiums on South African debt placed during the apartheid era. Mr Manuel may yet acquire a taste for promotions.



	USA	Japan	Germany	France	Italy	UK
[illegible]	5.00	0.50	2.50	4.75*	8.25	5.75*
[illegible]	5.06	0.44	3.13	3.45	8.65	5.69
[illegible]	5.13	0.31	3.09	3.72	8.43	5.41
[illegible]	5.87	0.78	3.28	3.90	8.18	5.65
[illegible]	6.47	2.06	5.19	5.60	8.90	7.18
[illegible]	[illegible]	3.09	6.35	6.42	9.50	7.84

Source: Reuters.



NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Canada	1bn	Aug 2006	6.75#	99.119R	6.876	+29(7%-06)	(o)
HCLT 96-2, Class A1(a)‡	794	Jan 2003	(a1)	(a1)	-	-	Merrill Lynch
Kingdom of Denmark(s)	200	Dec 1999	6.25	100.00R	6.263	+3(6%-99)	Nikko Europe
BITAL 1996-A(e)‡	100	1999	(e1)	100.00	-	-	SBC Warburg
Banco Bradesco(f)★	100	Oct 1997	7.275	100.00R	7.253	+140(6.9or)	ING Barings
Kreditbank Intl Fin(f)	50	Sep 2000	(f1)	100.55R	6.49	+25(j)	Kredietbank Intl Group
PAT 1996-4, Class A2(g1)‡	600	Sep 1999	(g2)	100.00R	-	-	Merrill Lynch
PAT 1996-4, Class A3(g3)	353	Nov 2000	6.20	99.9453R	6.409	+23(M 3yr)	Merrill Lynch
PAT 1996-4, Class A4(g4)	240.742	Oct 2001	6.40	99.9367R	6.616	+33(6%-99)	Merrill Lynch
Veranitus(s)‡	300	Jan 1999	(h)	99.956	-	-	Lehman Brothers Intl
Kingdom of Sweden★	100	Sep 1998	5.50#	99.50	5.768	-	LTCB International
CCCMT, 96-5, Class A(m)★‡	750	Sep 2003	(m1)	99.9224	-	-	Citibank
D-MARKS							
LW Rentenbank(s)	250	Dec 2000	5.00	99.78R	5.065	+8(5¼%-00)	ABN Amro Hoare Govett
Kookmin Bank‡	150	Oct 1999	(e)	100.08	-	-	WestLB
Nederlandse Gasunie	200	Oct 2001	5.25	99.905R	5.272	+17(5¼%-01)	Rabobank/SBC Warburg
DSL Finance	300	Sep 2001	5.375	99.74R	5.436	+22(5%-01)	Merrill/UBS Germany
Oest Investitionskredit	200	Oct 2001	5.50	101.988	5.045	-	WestLB
SWISS FRANCS							
Great Belt	150	Sep 2004	4.25	102.65	3.859	-	Credit Suisse
Tokyo Electric Power	300	Sep 2006	4.50	102.50	4.189	-	Credit Suisse
GECC(k)★	75	May 2000	3.50	102.00	2.912	-	Bqe Paribas(Suisse)
Mabe International(n)★ϕ	134	Sep 1998	6.125	100.825	-	-	Banca del Gottardo
STERLING							
Coventry Building Society(b)‡	100	Sep 2001	(b1)	99.91	-	-	HSBC Markets
GUILDERS							
Bayerische Hypo	250	Oct 2001	5.375	99.49R	5.497	+21(5¾%-01)	Rabobank International
LUXEMBOURG FRANCS							
Genfinance Luxembourg(l)	3bn	Dec 2004	(l)	102.48	6.03	-	BGL
Commerzbank International(l)	2bn	Dec 2003	6.25	102.45	5.82	-	BGL
FRENCH FRANCS							
GMAC	1bn	Sep 2002	6.125	99.55R	6.217	+40(j)	BNP
AUSTRALIAN DOLLARS							
Swedish Export Credit★	120	Sep 2000	7.09#	100.00	7.090	-	New Japan Securities
ECU							
De NIB	55	Sep 2004	(c)	101.85	6.38	-	Kredietbank Intl Group
Municipality Finance, Helsinki	60	Oct 1998	5.125	101.40	4.35	-	BIL
CANADIAN DOLLARS							
World Bank	100	Sep 2002	6.50	99.85R	6.531	flat(7%-01)	CIBC/Paribas Cap Mkts
Bayerische Vereinsbank	100	Sep 2002	6.625	99.32R	6.767	+20(7%-01)	Toronto Dominion Bank
DANISH KRONER							
Nordic Investment Bank(l)	400	Dec 2002	6.50	101.75	6.14	-	Banque Paribas Lux
NEW ZEALAND DOLLARS							
Province of Manitoba(s)	100	Mar 1998	8.25	100.83	-	-	Toronto Dominion Bank
Commerzbank(l)	100	Sep 1998	8.00	100.52	7.708	-	Hambros Bank
C'wealth Bank of Australia	100	Sep 1998	8.125	100.82	7.687	-	CBA
Toyota Motor Credit Corp	100	Sep 2001	8.00	101.30	7.677	-	Hambros Bank
Farm Credit Corp(s)	100	Sep 1999	8.00	100.81	-	-	Toronto Dominion Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ϕWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) 6-mth Libor +30bp. b) Household Consumer Loan Trust. Legal final: 15/8/06. Average life: 2.39 yrs. b1) 1-mth Libor +17bp, max 13bp. b2) Class A2: $52.24m, 1-mth Libor +32bp (15% cap), av life 5.07 yrs, par. Class A3: $67.9m, 1-mth Libor +42bp (15% cap), 5.07 yrs, par. Class B: $49.37m, 1-mth Libor +65bp (15% cap), 5.07 yrs, par. c) Callable in Sep 2000 at par. c1) 3-mth Libor +⅛%. d) 5⅝% to 27/9/00, then 8%. e) Banco Internacional Grantor Trust. Average life: 2 yrs. e1) 3-mth Libor +27.5bp. f) $75m launched 30/7/96 was increased to $125m. f1) 5% to 18/9/98, then 8½%. g) Premier Auto Trust. Monthly coupons. g1) Average life: 0.95 yrs. g2) 1-mth Libor +3bp, max 12%. g3) Av life: 2.05 yrs. g4) Av life: 2.99 yrs. (k) Certificates: $56.249m, av life 3.52 yrs, 6.65%, 99.881044R, T's +50bp. h) 3-mth Libor -12½bp. i) Over interpolated yield. j) Fungible with SFr125m. Plus 128 days accrued. k) 5¼% to 8/12/00, then 8¼%. l) Long 1st coupon. m) Citibank Credit Card Master Trust. Legal maturity: 15/9/05. m1) 3-mth Libor +10½bp. m2) Class B: $48m via Merrill Lynch, 3-mth Libor +28bp, 15/9/03, 99.952. n) Fixing: 29/8/96. Warrants to Tasaki Shinju Co. Downward revision clause effective 7/10/98, max 80%. o) Joint bookrunners: Goldman Sachs, Morgan Stanley, ScotiaMcLeod. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

CONTRACTS & TENDERS

شكرا من الاهل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Aug 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.2853	-0.0937	577 - 728	16.3026	16.2532	16.234	2.3	16.1591	2.8	-	-	105.2
Belgium	(BFr)	47.6052	-0.0902	618 - 485	47.7140	47.5600	47.5102	2.4	47.3202	2.4	46.5502	2.2	107.2
Denmark	(DKr)	8.9316	-0.0181	266 - 366	8.9526	8.9249	8.9178	1.8	8.8975	1.5	8.7897	1.6	107.9
Finland	(FM)	7.0189	+0.0062	132 - 246	7.0600	6.9970	7.0145	0.8	7.0065	0.7	-	-	84.9
France	(FFr)	7.8903	-0.0048	871 - 935	7.9051	7.8758	7.8761	2.2	7.8521	1.9	7.7452	1.8	108.9
Germany	(DM)	2.3117	-0.0047	107 - 126	2.3177	2.3089	2.3068	2.5	2.2971	2.5	2.255	2.6	109.2
Greece	(Dr)	368.734	-0.665	546 - 922	369.526	368.284	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9630	-0.0006	621 - 638	0.9641	0.9621	0.9625	0.6	0.9613	0.7	0.9568	0.6	99.8
Italy	(L)	2354.15	-2.82	261 - 569	2362.50	2349.80	2359.7	-2.8	2369.55	-2.6	2402.05	-2.0	76.5
Luxembourg	(LFr)	47.6052	-0.0902	618 - 485	47.7140	47.5600	47.5102	2.4	47.3202	2.4	46.5502	2.2	107.2
Netherlands	(Fl)	2.5911	-0.0061	896 - 925	2.5970	2.5895	2.585	2.8	2.573	2.8	2.5253	2.5	107.4
Norway	(NKr)	10.0021	-0.0149	937 - 105	10.0647	9.9877	9.9936	1.0	9.9766	1.0	9.8931	1.1	98.3
Portugal	(Es)	236.922	-0.533	784 - 061	237.573	236.784	237.347	-2.2	238.252	-2.2	-	-	95.8
Spain	(Pta)	195.270	-0.188	188 - 351	195.871	195.100	195.53	-1.6	196.045	-1.6	197.445	-1.1	80.8
Sweden	(SKr)	10.2591	-0.0128	506 - 675	10.2773	10.2349	10.2594	0.0	10.2595	0.0	10.2575	0.0	89.4
Switzerland	(SFr)	1.8683	-0.007	670 - 696	1.8769	1.8666	1.8633	3.2	1.8525	3.4	1.8043	3.4	113.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.0
Ecu	-	1.2274	-0.0014	267 - 280	1.2294	1.2257	1.2261	1.3	1.2231	1.4	1.2096	1.4	-
SDR†	-	1.064100	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5521	+0.0057	515 - 526	1.5580	1.5497	-	-	-	-	-	-	-
Brazil	(R$)	1.5778	+0.0069	773 - 782	1.5781	1.5728	-	-	-	-	-	-	-
Canada	(C$)	2.1289	+0.0069	279 - 298	2.1317	2.1239	2.1262	0.4	2.1245	0.8	2.1164	0.6	84.0
Mexico	(New Peso)	11.6270	+0.0539	162 - 377	11.6377	11.5600	-	-	-	-	-	-	-
USA	($)	1.5542	+0.0056	536 - 546	1.5555	1.5499	1.5537	0.4	1.5534	0.2	1.5537	0.0	98.3
Pacific/Middle East/Africa													
Australia	(A$)	1.9675	+0.0136	663 - 686	1.9685	1.9580	1.9701	-1.6	1.9751	-1.5	2.0004	-1.7	82.7
Hong Kong	(HK$)	12.0176	+0.0413	140 - 217	12.0274	11.9871	12.0098	0.8	11.9962	0.7	11.9784	0.3	-
India	(Rs)	55.3396	+0.2011	045 - 547	55.6547	55.0045	-	-	-	-	-	-	-
Israel	(Shk)	4.8994	+0.0128	942 - 046	4.9119	4.8990	-	-	-	-	-	-	-
Japan	(Y)	168.600	+0.651	479 - 721	168.840	167.475	167.875	5.2	166.385	5.3	159.97	5.1	133.7
Malaysia	(M$)	3.8754	+0.0112	736 - 772	3.8779	3.8648	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2400	+0.0041	383 - 417	2.2456	2.2362	2.245	-2.7	2.2545	-2.6	2.2888	-2.2	108.5
Philippines	(Peso)	40.7201	+0.1403	474 - 927	40.7927	40.6474	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8290	+0.0212	272 - 307	5.8336	5.8131	-	-	-	-	-	-	-
Singapore	(S$)	2.1922	+0.0068	909 - 935	2.1935	2.1870	-	-	-	-	-	-	-
South Africa	(R)	7.0568	+0.0031	511 - 625	7.0693	7.0221	-	-	-	-	-	-	-
South Korea	(Won)	1271.72	+3.07	116 - 228	1272.55	1268.15	-	-	-	-	-	-	-
Taiwan	(T$)	42.7261	+0.1337	093 - 468	42.7560	42.6223	-	-	-	-	-	-	-
Thailand	(Bt)	39.3337	+0.1484	158 - 516	39.3590	39.2280	-	-	-	-	-	-	-

† Rates for Aug 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.4854	-0.0599	832 - 875	10.5030	10.4578	10.4459	2.2	10.4039	2.4	10.2204	2.3	105.1
Belgium	(BFr)	30.6300	-0.17	100 - 500	30.7500	30.6100	30.575	2.2	30.4575	2.1	29.965	2.2	106.8
Denmark	(DKr)	5.7468	-0.0326	450 - 485	5.7682	5.7430	5.7393	1.8	5.7223	1.7	5.6533	1.6	107.1
Finland	(FM)	4.5161	-0.0125	136 - 186	4.5442	4.5113	4.5096	1.7	4.4978	1.6	4.4521	1.4	84.2
France	(FFr)	5.0768	-0.0216	760 - 775	5.0900	5.0670	5.0693	1.8	5.0563	1.7	4.9863	1.8	108.5
Germany	(DM)	1.4874	-0.0093	871 - 876	1.4930	1.4863	1.4847	2.2	1.4789	2.3	1.4517	2.4	108.5
Greece	(Dr)	237.250	-1.295	180 - 310	238.070	237.070	238.925	-8.5	242.275	-8.5	258.25	-8.8	66.8
Ireland	(I£)	1.6140	+0.0068	130 - 150	1.6155	1.6084	1.6146	-0.4	1.6155	-0.4	1.607	0.4	-
Italy	(L)	1514.70	-7.35	410 - 530	1522.30	1512.30	1519.45	-3.8	1527.5	-3.4	1550.35	-2.4	76.0
Luxembourg	(LFr)	30.6300	-0.17	100 - 500	30.7500	30.6100	30.575	2.2	30.4575	2.1	29.965	2.2	106.8
Netherlands	(Fl)	1.6671	-0.0101	668 - 676	1.6739	1.6654	1.6636	2.4	1.6568	2.5	1.6249	2.5	105.7
Norway	(NKr)	6.4356	-0.0331	318 - 393	6.4763	6.4312	6.4325	0.6	6.4271	0.5	6.3905	0.7	97.5
Portugal	(Es)	152.440	-0.8	390 - 490	152.900	152.340	152.755	-2.5	153.345	-2.4	156.48	-2.6	95.4
Spain	(Pta)	125.640	-0.58	620 - 660	126.100	125.580	125.89	-2.4	126.32	-2.2	127.88	-1.8	80.4
Sweden	(SKr)	6.6009	-0.0324	971 - 046	6.6190	6.5926	6.6	0.2	6.6024	-0.1	6.5774	0.4	88.8
Switzerland	(SFr)	1.2021	-0.0089	016 - 026	1.2105	1.2005	1.1988	3.5	1.1911	3.7	1.1576	3.7	112.8
UK	(£)	1.5542	+0.0056	538 - 546	1.5555	1.5499	1.5537	0.4	1.5534	0.2	1.5537	0.0	84.8
Ecu	-	1.2664	+0.0061	660 - 667	1.2677	1.2629	1.2671	-0.7	1.2686	-0.8	1.2776	-0.9	-
SDR†	-	0.68740	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	0.9986	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	1.0152	+0.0005	151 - 152	1.0152	1.0147	-	-	-	-	-	-	-
Canada	(C$)	1.3698	-0.0012	695 - 700	1.3720	1.3688	1.3696	0.1	1.3699	0.0	1.3727	-0.2	83.1
Mexico	(New Peso)	7.4810	+0.0075	760 - 860	7.4860	7.4720	7.5425	-25.9	7.6275	-19.5	8.591	-28.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.2659	+0.0045	655 - 663	1.2663	1.2654	1.2676	-1.9	1.2713	-1.7	1.29	-1.9	94.3
Hong Kong	(HK$)	7.7325	-0.0016	320 - 330	7.7341	7.7320	7.7332	-0.1	7.735	-0.1	7.762	-0.4	-
India	(Rs)	35.6000	-	000 - 000	35.8000	35.4000	35.75	-5.1	36.055	-5.1	37.525	-5.4	-
Israel	(Shk)	3.1524	-0.0038	499 - 549	3.1702	3.1498	-	-	-	-	-	-	-
Japan	(Y)	108.480	-0.005	430 - 530	108.590	108.240	108.035	4.9	107.135	5.0	103.395	4.7	134.6
Malaysia	(M$)	2.4935	-0.0019	930 - 940	2.4965	2.4910	2.4944	-0.4	2.5005	-1.1	2.524	-1.2	-
New Zealand	(NZ$)	1.4411	-0.0044	405 - 420	1.4441	1.4405	1.4442	-2.6	1.45	-2.5	1.4748	-2.3	-
Philippines	(Peso)	26.2000	-0.005	600 - 400	26.2400	26.1600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	503 - 508	-	-	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4105	-0.0008	100 - 110	1.4115	1.4100	1.407	3.0	1.401	2.7	1.3795	2.5	-
South Africa	(R)	4.5405	-0.0145	380 - 430	4.5530	4.5260	4.588	-12.6	4.678	-12.1	5.0155	-10.5	-
South Korea	(Won)	818.250	-1	100 - 400	820.000	817.700	-	-	-	-	-	-	-
Taiwan	(T$)	27.4920	-0.014	870 - 970	27.5080	27.4870	27.497	-0.2	27.502	-0.1	-	-	-
Thailand	(Bt)	25.3080	+0.0035	030 - 130	25.3180	25.3030	25.4067	-4.7	25.6105	-4.8	26.493	-4.7	-

† SDR rate per $ for Aug 22 Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 22: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3	3⅛	3¼	3⅜	3½	6.00	2.50	-
week ago	3¼	3⅛	3¼	3⅜	3½	7.00	2.50	-
France	3⅞	3⅞	3⅞	3⅞	3⅞	3.35	-	4.75
week ago	3⅞	3⅞	3⅞	3⅞	4⅛	3.55	-	4.75
Germany	3¼	3¼	3¼	3¼	3¼	4.50	2.50	3.00
week ago	3¼	3¼	3¼	3¼	3⅜	4.50	2.50	3.30
Ireland	5½	5⅝	5¾	5⅞	5⅞	-	-	6.25
week ago	5½	5⅝	5⅞	6⅛	6¼	-	-	6.25
Italy	8⅞	8⅞	8⅞	8⅞	8¾	-	8.25	8.85
week ago	8⅞	8⅞	8⅞	8½	8⅞	-	8.25	9.03
Netherlands	2¾	2¾	2⅞	2⅞	3⅛	-	3.00	3.30
week ago	2⅞	2¾	3⅛	3⅛	3⅛	-	3.00	3.30
Switzerland	2⅜	2⅜	2⅜	2⅜	2⅜	-	1.50	-
week ago	2⅜	2⅜	2¼	2¼	2⅛	5.00	1.50	-
US	5⅜	5⅜	5⅜	5⅜	5⅞	-	5.00	-
week ago	5⅜	5⅜	5½	5⅞	5⅞	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
week ago	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅝	5⅞	5⅞	-	-	-
week ago	-	5⅜	5½	5⅝	5⅞	-	-	-
US Dollar CDs	-	5.09	5.16	5.26	5.49	-	-	-
week ago	-	5.09	5.17	5.27	5.50	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
week ago	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅜	-	-	-
week ago	-	3⅜	3⅜	3⅜	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3½ - 3⅜
Danish Krone	3⅞ - 3⅝	3⅞ - 3⅝	4⅛ - 4⅛	3⅞ - 3⅝	3⅞ - 3¾	4⅛ - 4
D-Mark	3¼ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 2⅞	3⅜ - 3⅛
Dutch Guilder	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2⅞	3 - 2⅞	3⅛ - 3	3⅛ - 3⅛
French Franc	3⅞ - 3⅞	3⅞ - 3½	3⅞ - 3⅞	3⅞ - 3⅝	3⅞ - 3¾	4 - 3⅞
Portuguese Esc.	7⅛ - 6⅞	7⅛ - 7¼	7⅜ - 7¼	7¼ - 7⅛	7⅛ - 7⅛	7¼ - 7⅛
Spanish Peseta	7⅝ - 7⅛	7⅜ - 7⅛	7⅛ - 7⅛	7¼ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛
Sterling	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5⅞	5⅞ - 5⅞	5¾ - 5⅞	5⅞ - 5⅞
Swiss Franc	2¼ - 2⅛	2⅜ - 2¼	2⅜ - 2⅛	2⅜ - 2⅜	2⅜ - 2¼	2½ - 2⅜
Can. Dollar	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 4	4⅛ - 4⅛	4⅜ - 4⅜	4⅞ - 4⅞
US Dollar	5⅜ - 5⅛	5⅜ - 5⅜	5⅜ - 5⅜	5⅜ - 5¼	5⅞ - 5½	5⅞ - 5⅞
Italian Lira	9¼ - 8¾	8⅞ - 8⅝	8⅞ - 8⅞	8⅞ - 8⅞	8½ - 8⅜	8⅜ - 8¼
Yen	½ - ⅜	½ - ⅜	½ - ¼	⅜ - ⅜	⅜ - ⅜	⅞ - ⅞
Asian $Sing	3⅜ - 3⅝	3⅜ - 3⅝	3⅛ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3⅝ - 3½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.47	94.44	-0.02	94.47	94.43	42,372	377,196
Dec	94.22	94.15	-0.07	94.22	94.13	66,622	477,463
Mar	94.10	94.01	+0.99	94.10	93.99	62,220	295,366

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.99	94.96	-0.01	94.99	94.96	124	7,095
Dec	94.81	94.75	-0.05	94.81	94.73	40	1,905
Mar	94.62	94.61	-0.07	94.62	94.62	17	829

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.76	16.58	4.856	2.023	4945	5.443	21.01	497.7	410.3	21.55	3.924	2.101	4.473	3.265	354.2	2.578
Denmark	(DKr)	53.30	10	8.834	2.588	1.078	2636	2.901	11.20	265.3	218.7	11.49	2.092	1.120	2.384	1.740	188.8	1.374
France	(FFr)	60.33	11.32	10	2.929	1.221	2984	3.284	12.67	300.3	247.5	13.00	2.368	1.267	2.698	1.970	213.7	1.555
Germany	(DM)	20.60	3.865	3.414	1	0.417	1019	1.121	4.327	102.5	84.51	4.440	0.808	0.433	0.921	0.672	72.98	0.531
Ireland	(I£)	49.43	9.274	8.193	2.400	1	2444	2.691	10.38	246.0	202.8	10.65	1.940	1.038	2.211	1.614	175.1	1.274
Italy	(L)	2.022	0.379	0.335	0.098	0.041	100.	0.110	0.425	10.06	8.297	0.436	0.079	0.042	0.090	0.066	7.162	0.052
Netherlands	(Fl)	18.37	3.447	3.045	0.892	0.372	908.5	1	3.860	91.43	75.38	3.960	0.721	0.386	0.822	0.600	65.07	0.474
Norway	(NKr)	47.60	8.931	7.890	2.311	0.963	2354	2.591	10	236.9	195.3	10.26	1.868	1.000	2.129	1.554	168.6	1.227
Portugal	(Es)	20.09	3.770	3.331	0.976	0.407	993.7	1.094	4.221	100.	82.44	4.331	0.789	0.422	0.899	0.656	71.17	0.518
Spain	(Pta)	24.37	4.573	4.040	1.183	0.493	1205	1.327	5.120	121.3	100.	5.253	0.956	0.512	1.090	0.796	86.33	0.628
Sweden	(SKr)	46.39	8.705	7.690	2.252	0.939	2294	2.525	9.747	230.9	190.4	10	1.821	0.975	2.075	1.515	164.3	1.196
Switzerland	(SFr)	25.48	4.781	4.224	1.237	0.516	1260	1.387	5.353	126.8	104.6	5.493	1	0.535	1.140	0.832	90.26	0.657
UK	(£)	47.60	8.931	7.890	2.311	0.963	2354	2.591	10.00	236.9	195.3	10.26	1.868	1	2.129	1.554	168.6	1.227
Canada	(C$)	22.36	4.195	3.706	1.085	0.452	1106	1.217	4.697	111.3	91.73	4.819	0.877	0.470	1	0.730	79.19	0.576
US	($)	30.63	5.747	5.077	1.487	0.620	1515	1.667	6.435	152.4	125.7	6.602	1.202	0.644	1.370	1	108.5	0.790
Japan	(Y)	28.23	5.297	4.680	1.371	0.571	1396	1.537	5.931	140.5	115.8	6.085	1.108	0.593	1.263	0.922	100.	0.728
Ecu		38.79	7.279	6.430	1.883	0.785	1919	2.112	8.150	193.1	159.2	8.362	1.522	0.815	1.735	1.267	137.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.6714	0.6773	+0.0061	0.6790	0.6703	28,137	65,019
Dec	0.6762	0.6812	+0.0061	0.6825	0.6762	1,221	5,660
Mar	-	0.6856	+0.0062	-	-	3	875

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.8300	0.8395	+0.0097	0.8420	0.8278	15,315	35,904
Dec	0.8380	0.8462	+0.0099	0.8485	0.8374	205	3,051
Mar	-	0.8536	+0.0102	0.8440	-	2	814

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.9269	0.9282	+0.0014	0.9298	0.9236	16,040	71,543
Dec	0.9362	0.9399	+0.0015	0.9408	0.9355	332	8,203
Mar	-	0.9518	+0.0017	-	-	3	168

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.5498	1.5566	+0.0066	1.5580	1.5498	5,493	48,341
Dec	1.5610	1.5582	+0.0068	1.5570	1.5510	119	1,358
Mar	-	1.5558	+0.0066	1.5560	-	3	9

■ Pound in New York

Aug 23	—Close —	— Prev. close —
£ spot	1.5560	1.5505
1 mth	1.5555	1.5500
3 mth	1.5553	1.5497
1 yr	1.5562	1.5503

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition and on the Commodities page tomorrow.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.530	-	2.33	2.68	0.03	0.36	0.76
1.540	1.22	1.63	2.07	0.22	0.66	1.12
1.550	0.60	1.07	1.53	0.60	1.09	1.57
1.560	0.22	0.65	1.09	1.23	1.67	2.13
1.570	0.03	0.35	0.75	2.03	-	-

Previous day's vol., Calls 5,316 Puts 4,837. Prev. day's open int., Calls 153,224 Puts 140,139

UK INTEREST RATES

LONDON MONEY RATES

Aug 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¾ - 5	5⅞ - 5⅝	5¾ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	6 - 5⅞
Sterling CDs	-	-	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅝	5⅞ - 5⅞	5⅞ - 5⅝	-
Local authority deps.	5⅞ - 5⅛	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5⅞	5⅞ - 5¾	5⅞ - 5⅞
Discount Market deps	6¼ - 5⅞	5¾ - 5⅝	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Aug 23, 5.5335pc. ECGD fixed rate Stg. Export Finance. Make up day July 31, 1996. Agreed rate for period Aug 26, 1996 to Sep 24, 1996, Schemes II & III 7.08pc. Reference rate for period Jun 29, 1996 to July 31, 1996, Schemes IV & V 5.811pc. Finance House Base Rate 6pc from Aug 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	Aug 23	Aug 16		Aug 23	Aug 16
Bills on offer	£600m	£600m	Top accepted rate	5.5351%	5.5752%
Total of applications	£2888m	£2604m	Ave. rate of discount	5.5335%	5.5649%
Total allocated	£600m	£600m	Average yield	5.6314%	5.6431%
Min. accepted bid	£98.620	£98.610	Offer at next tender	£600m	£600m
Allotment at min. level	50%	8%	Min. accept. bid 182 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	Royal Bk of Scotland	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	•Singer & Friedlander	5.75
AIB Bank	5.75	Financial & Gen Bank	7.00	•Smith & Williamson Secs	5.75
•Henry Ansbacher	5.75	•Robert Fleming & Co	5.75	Scottish Widows Bank	5.75
Bank of Baroda	5.75	Girobank	5.75	TSB	5.75
Banco Bilbao Vizcaya	5.75	•Guinness Mahon	5.75	United Bank of Kuwait	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Unity Trust Bank Plc	5.75
Bank of Ireland	5.75	•Hambros Bank	5.75	Western Trust	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Whiteaway Laidlaw	5.75
Bank of Scotland	5.75	•Hill Samuel	5.75	Yorkshire Bank	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75	• Members of London Investment Banking Association	
•Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75	* In administration	
Citibank NA	5.75	•Leopold Joseph & Sons	5.75		
Clydesdale Bank	5.75	Lloyds Bank	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	*Mount Credit Corp	6.00		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	•Rea Brothers	5.75		

BANK RETURN

BANKING DEPARTMENT	Wednesday August 21, 1996	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	884,669,554	-95,443,858
Bankers deposits	2,004,291,366	+118,285,279
Reserve and other accounts	3,146,690,493	-45,079,736
	6,050,204,413	-22,238,315
Assets		
Government securities	1,179,471,400	-360,539,999
Advance and other accounts	3,707,053,840	+699,394,612
Premises, equipment and other secs	1,160,322,318	-358,376,096
Notes	3,262,445	-2,693,873
Coin	94,350	-23,219
	6,050,204,413	-22,238,315
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	21,136,737,555	+262,693,873
Notes in Banking Department	3,262,445	-2,693,873
	21,140,000,000	+260,000,000
Assets		
Other Government securities	14,515,230,722	+1,344,984,602
Other Securities	6,624,769,278	-1,084,984,602
	21,140,000,000	+260,000,000

FT GOLD MINES INDEX

	Aug 23	% chg since 29/12/95	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (31)	2045.05	+6.9	52.91	100.00	1.55	-	2520.73	1722.93
■ Regional Indices								
Africa (13)	2562.82	+2.4	13.72	25.94	3.11	36.21	3553.86	2272.74
Australasia (7)	2442.44	+3.1	6.62	12.51	2.38	22.86	2927.34	2123.50
North America (11)	1846.55	+9.6	32.57	61.55	0.72	66.98	2186.39	1488.94

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	-	100	100	Amer Opps Ln 03/06	100		-	-	-	-
-	F.P.	12.7	68	66	†Barbican Hlthcre	66		-	-	-	-
§110	F.P.	10.8	158	120	†Chemical Design	158	+2	-	-	-	-
*	F.P.	5.17	4	4	†Dentmaster	4		-	-	-	-
§	F.P.	67.6	679½	675½	Egypt Trust	675½	-2½	-	-	-	-
§145	F.P.	50.7	246	146	†Elec Retail Sys	241	+23	-	-	-	-
§	F.P.	2.52	59	41	†Fayrewood	48		-	-	-	-
16	F.P.	6.45	18	17	†Gabriel Trust	18		-	-	-	-
§	F.P.	18.7	63	60	†Gall Thomson Env	60	-1	W-	-	-	6.6
§65	F.P.	18.2	65	65	Hambros Sm Asn C	65		-	-	-	-
§100	F.P.	24.2	98	94	Hoare Gvt 1000 C	97		-	-	-	-
§12	F.P.	0.60	15	12	†Life Numbers	12		-	-	-	-
§	F.P.	0.16	6	2	†Life Numbers Wts	5		-	-	-	-
-	F.P.	4.73	16½	13	†London & Ed Publ	15½		b0.25	3.9	2.0	11.8
§100	F.P.	79.8	98	90½	Schroder Em Cos	91½		-	-	-	-
§	F.P.	6.28	37	31	Schroder Em Wts	36		-	-	-	-
-	F.P.	40.8	375	343	Schroder Em Ct C	371		-	-	-	-
§68	F.P.	13.3	70	68	†Selector	68		-	-	-	-
145	F.P.	477.0	163	155	Somerfield	159		W9.0	2.5	7.1	7.1
§70	F.P.	6.39	72	71	Walker, Crips	71		3.0	2.2	5.3	11.0
-	F.P.	5.02	130	120	†West 175 Entrs	130		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1996 High	Low	Stock	Closing price p	+or-
180	Nil	2/10	18pm	10pm	Inspec Group	18pm	+2
68	Nil	28/8	3pm	2pm	Jerome (S)	2pm	
250	Nil	30/8	65pm	50pm	Scottish Power	51pm	-2
125	Nil	28/8	15pm	12pm	Shaftesbury	15pm	

pm premium.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

STOCK INDICES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

Trans Can Pipe	♥	10⅝	1.5	84c		JaApJyOc	12.93	–
Western Star Trucks		21⅞	-1.3	–		–	–	–

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£22½	....	0545c	♦	May Oct	3.93	–
Barlow	‡†	£5⅔	-4.7	091c	–	Jan Jul	17.6	–
Gold Flds Prop R		137½	4.6	080c	1.5	Mar Sep	28.2	–
Mt Props		80	....	0538c	–	Mar Sep	1.9	–
SASOL	♥	845	-2.4	078c	–	Oct	9.93	–
SA Brews		£16½	-6.0	0200c	♦	Jul Dec	3.6	4113
Standard Bank		£23½	-.9	0254c	3.1	Sep Mar	–	–
Tiger Oats	†	790	-4.8	0114c	3.0	Jan Jul	10.6	–
Tongaat-Hulett		798xd	4.2	0130c	♦	Jan Jun	20.5	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⌽ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Highland Distillers Cnv Bd** (Alcoholic Beverages). **Corriente Resources** (Extractive Inds). **AND Intl, Allzyme, HIT Entertainment, NECA, SCI Entertainment** (AIM). **Deletions: Aberforth Smaller Co's** (Inv Trusts). **Sth American Fd Warrants** (Inv Co's). **Woodside** (Oil Integrated). **St James's Place** (Other Finl). **Formal** (Retailers Genl).

♣ FT Free Annual Reports Service

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FT Company Focus / Focus Plus

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Company Focus (FT news) £6.45.
Focus Plus (FT and Investors Chronicle news) £8.95.
To order, call 0121 200 4678.
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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

Jupiter Tyndall (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

GUERNSEY (REGULATED)(**)

Rothschild Asset Mngmt - Contd.

Royal Bank of Canada Intl Money Market Fd

IRELAND (SIB RECOGNISED)

LGT Asset Management Ltd - Contd.

Tilney (Ireland) Ltd

IRELAND (REGULATED)(**)

GM Fund Management (Ireland) Ltd

Gartmore Korea Fund Plc

Global Resources Stock Fund

Scottish Mutual Intl Fund Managers Ltd

Sellers Investment Mngt (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

Hill Samuel Fund Mgrs - Contd.

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

JERSEY (REGULATED)(**)

Odey Asset Management Ltd

80 Harcourt Street, Dublin 2 00 3531 780 2400

Odey European Gth Inc..	DM154.12	–	45684
Odey European Gth Acc.	DM164.69	–	45130
Odey European Gth Inc..	287.01	–	51293
Odey European Gth Acc.	287.26	–	51294

Old Mutual International Fd Mngrs Ltd (n)

Baring Mutual (Ireland) Ltd

Berkshire KITC Growth Fund Plc

NAV \$8.10

Berkshire Korea Fund Plc

NAV \$5.40

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Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Ivory Growth Fund	222.84	23.00	1.73	45838
Lowes Aggressive Portfolio	£10.5	11.03	–	53574
Lowes Defensive Ptflo	£11.87	12.55	–	47683
Lowes Collective Ptflo Ltd	£11.2	11.76	–	54472

TSB Fund Managers (CI) Ltd

WMB Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

Fidelity Funds (u)

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

Asian International Umbrella Fund (u)

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Svenska Securities

Swiss Bank Corporation

CMI Ins Co Ltd/Clerical Med Gen Life - Contd.

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 23 / Sch)

BELGIUM/LUXEMBOURG (Aug 23 / Frs.)

CZECH REP (Aug 23 / Koruna)

DENMARK (Aug 23 / Kr)

FINLAND (Aug 23 / Mkk)

FRANCE (Aug 23 / Frs.)

GERMANY (Aug 23 / Dm.)

GREECE (Aug 23 / Drachma)

ITALY (Aug 23 / Lire)

NETHERLANDS (Aug 23 / Fls.)

NORWAY (Aug 23 / Kroner)

POLAND (Aug 23 / Zloty)

PORTUGAL (Aug 23 / Escudo)

SPAIN (Aug 23 / Pta.)

SWEDEN (Aug 23 / Kronor)

SWITZERLAND (Aug 23 / Frs.)

TURKEY (Aug 23 / TK Lira)

PACIFIC

JAPAN (Aug 23 / Yen)

HONG KONG (Aug 23 / H.K.$)

INDONESIA (Aug 23 / Rupiah)

MALAYSIA (Aug 23 / MYR)

NEW ZEALAND (Aug 23 / NZ $)

SINGAPORE (Aug 23 / S$)

AUSTRALIA (Aug 23 / Aust$)

SOUTH KOREA (Aug 23 / Won)

TAIWAN (Aug 23 / TW $)

THAILAND (Aug 23 / Baht)

AFRICA

SOUTH AFRICA (Aug 23 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 23 / Can $)
4 pm close

MONTREAL (Aug 23 / Can $)
4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. a Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

INDEX FUTURES

■ CAC-40 (200 x index)

■ DAX

■ OMLX

■ SOFFEX

US INDICES

Dow Jones	Aug 23	Aug 22	Aug 21	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5722.74	5733.47	5689.82	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	102.24	102.32	102.60	106.09 (14/2)	100.99 (15/7)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2061.90	2071.89	2077.88	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	12.32 (8/7/32)
Utilities	217.15	217.58	216.60	234.00 (12/2)	204.86 (30/7)	256.48 (31/8/93)	10.50 (8/4/32)

DJ. Ind. Day's high 5761.58 (5761.95) Low 5679.08 (5682.45) (Theoretical) Day's high 5722.74 (5733.47) Low 5738.28 (5684.27) (Actual)

Standard and Poors	Aug 23	Aug 22	Aug 21	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	667.03	670.68	665.07	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	787.48	791.16	784.32	807.28 (5/6)	702.07 (15/1)	807.28 (5/6/96)	3.62 (21/6/92)
Financial	69.97	70.68	70.03	70.88 (22/8)	58.67 (10/1)	70.88 (22/8/96)	8.64 (1/10/74)
NYSE Comp.	357.23	358.72	358.11	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.45 (25/4/42)
Amex Mkt Val	580.84	580.32	557.68	614.99 (22/5)	525.80 (16/7)	614.99 (22/5/96)	28.31 (9/12/72)
NASDAQ Cmp	1143.06	1143.98†	1126.84	1249.14 (6/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Aug 16	Aug 9	Aug 2	Year ago
Dow Jones Ind. Div. Yield	2.18	2.21	2.20	2.48

	Aug 21	Aug 14	Aug 7	Year ago
S & P Ind. Div. yield	2.02	2.04	2.03	2.07
S & P Ind. P/E ratio	21.74	22.04	21.16	18.68

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Bay Netwk	7,355,700	27⅝	+1⅞
Zenith	5,004,200	14⅝	−2
Philip Morris	4,182,500	87⅝	+1
ADT Ltd	3,900,200	19⅝	+½
RJ Nabisco	3,884,200	25⅝	+⅜
PepsiCo	3,258,200	31⅜	—
AT&T	2,937,800	54⅝	+⅜
Enersis SA	2,754,000	31⅛	−⅜
AnnTaylor	2,388,500	14⅝	−1
Circus Cres	2,368,200	32⅝	+1¼

■ TRADING ACTIVITY

● Volume (million)

	Aug 23	Aug 22	Aug 21
New York SE	308.010	354.492	348.737
Amex	15.638	17.250	16.328
NASDAQ	(d)	508.286	427.418
NYSE			
Issues Traded	3,178	3,176	3,198
Rises	1,002	1,482	1,052
Falls	1,276	859	1,231
Unchanged	897	835	913
New Highs	72	108	91
New Lows	19	25	33

■ S&P 500

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Sep	671.95	668.80	−3.05	671.25	666.00	55,994	173,658
Dec	675.80	674.80	−3.10	677.00	672.10	2,525	15,162

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Sep	21400.0	21210.0	−170.0	21440.0	21210.0	21,429	227,416
Dec	21460.0	21280.0	−130.0	21460.0	21240.0	11,280	50,147

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. Day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Friday, August 23, 1996

	Stocks Traded	Closing Prices	Change on day
Toray Inds	8.4m	723	-1
Mitsui M & F Ins	6.5m	803	+4
Nichiboshin	5.9m	570	+49
NKK Corp	4.7m	300	-11
Nippon Stl Corp	3.8m	359	-2
Bk Tk-M'bishi	3.8m	2280	
TYK Corp	3.6m	1370	+20
Sakura Bank	3.4m	1090	-20
Green Cross Corp	2.9m	456	-18
Ibiden	2.8m	1070	+10

4 pm close August 23

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23¾	17¾	AAR	0.48	2.4	20	44	20⅝	20⅜	20⅜	-¼
46½	36⅜	AMP	1.00	2.6	18	2861	39⅜	38⅞	39⅛	-⅛
87½	65	AMR			17	3183	87	85⅝	86	-⅝
50½	37⅜	ASA x	2.00	5.0	26	219	40⅛	39⅝	40	+⅛
47¾	36⅛	AbbotL	0.96	2.0	20	7086	47⅝	46⅝	47	-⅝
17¼	12¼	AbbIbI Pr	0.40	2.8	7	374	14¼	14	14⅛	+⅛
20¼	13½	ABM Ind	0.35	2.0	17	54	17½	17⅜	17⅜	-⅛
18⅝	13⅞	Acptneain			35	7	17⅛	17	17⅛	+⅛
50⅜	37¾	ACE Ltd	0.96	1.2	11	7942	47	46¾	46⅞	-⅛
10⅛	9⅛	ACM Gvt In	0.90	8.1	8	105	10	9⅞	9⅞	
7⅞	6⅝	ACM GvOpp	0.57	8.1		99	7	7	7	-⅛
7¼	6	ACM Gvt Sp	0.66	9.8		472	6¾	6⅝	6¾	+⅛
9⅛	8¼	ACM Gvt Se	0.90	10.3		125	8⅞	8¾	8¾	-⅛
9½	8⅜	ACM Mae	0.80	9.5		487	u9½	9⅜	9½	
13⅞	6⅛	Acme Elect	0.32	4.4	120	92	7⅝	7⅛	7¼	-½
17½	13⅞	Acme Mills			9	25	15⅛	15	15⅛	-⅛
33¾	27¾	Acordia	0.72	2.3	18	5	30¾	30¾	30¾	
21⅜	12	Acuson			70	882	14¼	13⅞	14⅛	+⅛
19½	17⅞	Adams Expr x	0.48	2.5	0	45	19¼	19⅛	19⅛	-⅛
21¾	10¼	Athletic			8	3496	13	12⅝	12⅝	-½
11⅛	8½	Advest Grp	0.16	1.6	7	44	9⅞	9⅞	9⅞	-⅛
26⅛	9⅛	Advo Inc	0.10	1.0	467	784	10	9¾	9¾	-⅛
50⅜	41⅛	Aegon	1.19	2.4	15	823	49⅞	49⅝	49⅝	-¼
6½	3½	Aerflx			3	132	5⅛	5	5¼	+⅛
69½	57⅝	Aetna	0.80	1.2	7	2803	67¾	67⅛	67⅜	-⅜
36½	28¼	Aflac x	0.40	1.2	14	1212	34¾	34⅜	34⅝	
20⅞	17⅛	AGL Res x	1.06	5.2	17	324	20⅝	20⅛	20½	-⅛
28	21¼	Ahmnsn x	0.88	3.4	7	3871	26½	25¾	26	-⅞
60⅞	50⅜	AirPrC	1.10	2.0	14	1867	56⅛	55½	55½	-½

Continued on next page

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4 pm close August 23

NYSE PRICES

Continued from previous page

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- W -

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng. Prev. Close
14⅝	11	WiserO	0.12	0.8	60	30	d14⅝	14½	14½	
37⅜	28⅛	Witco Corp	1.12	3.7	84	312	30¾	30⅜	30½	-⅛
31¼	23¾	WMC ADR	0.71	2.5	30	12	28¼	28⅛	28¼	+⅝
36⅛	27¾	WMX T	0.60	1.9	22	5999	32¼	32⅛	32¼	-¼
25	15¾	Wolverine	0.16	0.7	16	104	u25	24¼	24¼	-¼
23⅛	9⅜	Woolwth	0.60	2.8	39	1769	21⅜	21⅛	21⅛	-⅜
22½	17⅛	World Wide	0.10	0.5		59	22¼	22	22⅛	-⅛
10¾	4½	Worldcorp			1	483	4⅞	4¾	4¾	-⅛
34⅜	30¼	WPS Rs	1.90	6.0	12	86	31⅞	31¾	31¾	-⅛
62⅞	48⅜	Wrigley	0.68	1.3	28	583	54⅜	53¾	54⅛	-⅝
44¾	27⅜	Wyle Labor	0.32	1.0	9	1276	32⅞	32½	32⅝	-¼
30	18	Wynns Int	0.40	1.5	15	14	27¼	27⅛	27⅛	

- X - Y - Z -

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng. Prev. Close
58⅜	39¾	Xerox	1.16	2.1	48	6967	54⅝	53⅞	54⅝	
47⅞	39¾	Xtra Corp x	0.72	1.7	16	65	42¾	42⅜	42¾	+⅜
25¾	20⅞	Yankee Egy	1.30	5.8	11	30	22⅝	22⅜	22⅜	
59¾	49⅞	York Int	0.36	0.8	20	612	45½	45⅛	45⅜	+⅜
3⅞	3	Zapata	0.14	3.7	10	438	3¾	3⅝	3¾	+⅛
25¾	5⅞	ZenithE				1029689	18½	14¾	14⅞	-2
28⅞	21⅛	Zenith Nat	1.00	3.6	38	23	27½	27⅜	27½	
7⅛	6½	Zenix Inc	0.72	10.5		213	7	6⅞	6⅞	-¼
22⅞	15⅛	Zero	0.12	0.6	18	44	20⅞	20⅝	20⅞	+⅛
23¾	18½	Zurn Ind	0.40	1.9	19	431	20⅞	20⅝	20¾	
11⅜	10½	Zweig Fund	1.08	9.8		201	11	10⅞	11	-⅛
9	8¼	Zweig Total	0.84	9.7		479	8⅝	8½	8⅝	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close August 23

[illegible]

AMEX PRICES

4 pm close August 23

[illegible]

FT GUIDE TO THE WEEK

MONDAY 26

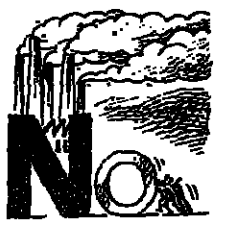
Democrats in Chicago

The US Democrats go to Chicago for a convention for the first time since 1968 and will find the city still has a mayor called Richard Daley. However, both the party and the eldest son of the legendary Dick hope comparisons with the anti-war mayhem at the convention 28 years ago stop with the names. The schedule is true to tradition, with approval of the party platform (no big controversies here), candidate nominations on Wednesday and acceptance speeches by President Bill Clinton and Al Gore on Thursday. Hillary Clinton will speak, although she is unlikely to copy Vice-President Bob Dole's wife, Liddy, in doing it from the convention floor. Mr Clinton plans to "make news" with policy announcements and will expect to restore his comfortable lead in the opinion polls over Mr Dole.

Conciliation effort in Bonn

Political life resumes in Bonn after the summer break as the conciliation committee of both houses of parliament meets in an attempt to resolve differences over government plans for spending cuts and health care reform. Up to three days have been set aside for the discussions, indicating substantial disagreement between the Bundestag and the opposition-dominated Bundesrat, representing the states. On Tuesday, Chancellor Helmut Kohl will review a crowded legislative agenda ahead of a Bundestag meeting on Thursday.

Pollution protocol sought



Experts from some 30 countries meet in Geneva to discuss pan-European restrictions on nitrogen compounds responsible for air and water pollution (to Aug 30). The UN Economic Commission for Europe hopes to produce a protocol before 1998 to limit emissions of nitrous oxides and the use of other nitrogen compounds. The main villains are vehicle exhausts and fossil-fuel power stations, which produce smog-causing nitrous oxides, and nitrogen-based fertilisers poisoning rivers and lakes.

Estonia elects president

The Estonian parliament meets to elect its president. Lennart Meri, the popular incumbent, may be hard pressed to get the 68 votes – out of 101 – needed for victory in a secret ballot which may last two days. If no candidate wins enough votes, local government leaders will join the voting on Wednesday. The urbane Mr Meri used the largely ceremonial office effectively to press Estonia's case for Nato and European Union membership. But his sometimes arrogant demeanour antagonised parliamentarians.

On the hoof: President Bill Clinton rounds up the Democrats for the start of the party's Chicago convention, where he plans to "make news"

Seoul leaders sentenced

Former presidents Chun Doo-hwan and Roh Tae-woo, who ruled South Korea consecutively between 1980 and 1993, will be sentenced on sedition and corruption charges. The prosecution has requested the death penalty for Mr Chun and life imprisonment for Mr Roh for leading a 1979 army coup – which brought them to power – and subsequently ordering the massacre of pro-democracy protesters in 1980. Although the court may uphold the sentences, most political analysts believe that President Kim Young-sam would eventually reduce them.

Hashimoto visits Peru

Ryutaro Hashimoto, the Japanese prime minister, arrives in Peru. Mr Hashimoto is expected to sign loans to modernise Lima's airport and the main seaport of Callao. Japan is also contemplating co-financing the highway between Desaguadero in Bolivia and the Peruvian port of Ilo. Alberto Fujimori, the Peruvian president, is the son of Japanese immigrants, and Japanese loans and support have been a constant feature since he assumed power. Direct Japanese investment, however, has been conspicuously absent.

Tennis

America's Pete Sampras seeks an 8th major tennis title at the US Open championships, starting at Flushing Meadow, New York (to Sept 8). That would put him in sight of Rod Laver's record 11 grand slam titles. "Sampras is the favourite," says Wimbledon title holder Richard Krajicek of the Netherlands. "He's on a different level."

Public holidays

Gibraltar, Hong Kong, Macau, Namibia, UK (not Scotland).

TUESDAY 27

Rifkind in Pakistan

Malcolm Rifkind, the British foreign secretary, arrives in Pakistan (to Aug 28). He will meet Farooq Leghari, the president, and Benazir Bhutto, the prime minister. He is expected to discuss the Comprehensive Test Ban Treaty negotiations and the Indian-administered state of Kashmir, where next month the Indian government plans to hold state elections – opposed by Pakistan. Meanwhile, two large anti-government rallies are planned for Karachi and Lahore during the week.

Public holidays

Moldova, Philippines.

WEDNESDAY 28

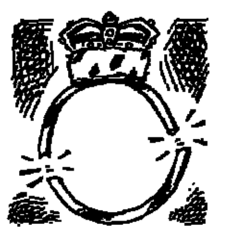
Iliescu seeks third term

President Ion Iliescu of Romania formally launches his campaign for re-election on November 3. The 66-year-old former senior communist is seeking a third term and running on the ticket of the governing Party of Social Democracy (PDSR), the core of the group that has held power since the overthrow of the Ceausescu regime in 1989. His main rivals are Emil Constantinescu, a former university rector, and Petre Roman, the country's first post-communist prime minister.

Deadline for Lloyd's Names

The deadline falls for Names at the Lloyd's of London insurance market to accept its £3.2bn recovery plan, thrown into last-minute confusion by a US legal challenge.

Royal decree absolute



The divorce of the Prince and Princess of Wales is expected to be finalised when the decree absolute – the last legal requirement to end their 15-year-old marriage – comes into force. A delay is not anticipated. The hearing will take place in a divorce court at Somerset House, London. It is unlikely that Prince Charles or Princess Diana will attend.

Japan survey released

The Bank of Japan will release its Tankan – the quarterly survey of business confidence – a week earlier than usual. The central bank has often announced a change in monetary policy following or immediately before the Tankan release, and its announcement led to speculation it planned to raise interest rates. However, it is more likely the move was made to avoid leaks. The survey is likely to show a moderate improvement in confidence.

Apec energy forum starts

Energy ministers from the 18 nations which make up the Asia-Pacific Economic Co-operation forum begin a two-day meeting in Sydney. Issues will include the liberalisation of energy markets and how the region can source the necessary investment to meet its burgeoning power requirements into the next millennium.

Ruling on US bases in Japan

Japan's supreme court rules on a lawsuit filed by the central government against Masahide Ota, the governor of Okinawa prefecture. The central government is seeking a court order to force Mr Ota to sign documents required to renew leases for US military facilities.

Weightlifting

European championships, Burgas, Bulgaria (to Aug 31).

Public holidays

Georgia, Sri Lanka.

THURSDAY 29

Philippine peace accord

Senior Philippine officials meet leaders of the formerly separatist Moro National Liberation Front (MNLF) in Jakarta to finalise details of a peace and autonomy plan between Manila and the Philippines' 5m Moslems. The plan was endorsed last week by President Fidel Ramos and Nur Misuari, the MNLF leader. Philippine officials hope the peace deal will be signed formally in Jakarta on Saturday. The separatist conflict has claimed 100,000 lives since 1972.

Brazil prepares Vale sale

Brazil's national privatisation council is expected to finalise a model for the sale of Companhia Vale do Rio Doce, the world's largest iron ore exporter. The privatisation is touted as Latin America's biggest – the company's value is estimated at between $10bn (£6.4bn) and $14bn. The sale will be a big boost to Brazil's privatisation programme, which has been beset by false starts and delays.

Chess

Garry Kasparov competes in the Credit Suisse Masters at the CS-Forum, Geneva (to Sept 1). The world number one's invited rivals are led by India's Vishy Anand and the number one woman, Judit Polgar of Hungary.

Cricket

England v Pakistan, first one-day international, Old Trafford.

Golf

European Masters, Crans-sur-Sierre, Switzerland (to Sept 1).

FRIDAY 30

Athletics

IAAF grand prix meeting, Berlin.

FT Survey

Aerospace.

Public holidays

Peru, Turkey.

SATURDAY 31

Japanese budget requests

Ministries in Japan must submit their spending requests for fiscal 1997 to the finance ministry. Attention will be focused on how far Ryutaro Hashimoto, the prime minister, succeeds in achieving a budget that breaks away from the traditionally rigid allotments. The use of a Y300bn (£1.79bn) special disbursement for programmes beneficial to the structural reform of the economy will be watched with particular interest.

Ulster marches end

Northern Ireland's marching season comes to a formal close when the Royal Black Preceptory, the senior branch of the Orange Order, holds its annual parade. The group will stage six marches – the main one in Carrickfergus, where the Protestant William of Orange landed before his victory over the Catholic King James II of England in 1690. Police hope the unrest which has marred recent marches will not be repeated.

Cricket

England v Pakistan, second one-day international, Edgbaston.

Equestrianism

British horse trials championships, Gatcombe Park, Gloucestershire (to Sept 1).

Public holidays

Malaysia, Moldova, Trinidad.

SUNDAY 1

Rio group holds summit

The Bolivian city of Cochabamba plays host to the Rio Group, celebrating its 10th anniversary. Fourteen Latin American presidents are on the guest list. It will be the first encounter between Peruvian head-of-state Alberto Fujimori and Abdala Bucaram, who assumed the Ecuadorean presidency this month. Last year's border conflict between the two countries continues to cast a shadow over bilateral relations.

Cricket

England v Pakistan, third one-day international, Trent Bridge.

Compiled by Simon Strong.
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ECONOMIC DIARY

Other economic news

Monday: German data this week is expected to show inflation pressures on the high street and in industry remain subdued.

Tuesday: US consumer confidence is expected to have fallen this month from last month's levels. Swedish producer prices are thought to have declined again in July.

Wednesday: Japan's tankan survey is expected to show a slight recovery in business conditions but confidence is still expected to be depressed. Economists expect UK trade figures to show the trade deficit continues to widen as import growth outstrips exports.

Thursday: Figures are expected to confirm US GDP grew at an annualised rate of 4.2 per cent in the second quarter of the year. US new home sales are expected to have grown last month at a similar rate to June.

Friday: US factory orders are forecast to have increased last month after June's decline. UK consumer credit is expected to have grown strongly again last month. Italian GDP is predicted to have declined in the second quarter.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Germany	Jul Icon consumer climate		87.0	Aug 30	Japan	Aug CPI, Tokyo, ex-perishables**	0.4%	0.4%
Aug 26	Japan	Jul supermarket sales**		2.8%		Japan	Jul consumer price index, nation**	0.6%	0.0%
	Japan	Jul department store sales**		2.5%		Japan	Jul CPI, nation, ex-perishables**	0.5%	0.3%
	US	Jul existing home sales		4.18m		Japan	Jul unemployment rate	3.5%	3.5%
Tues	Japan	Jul BoJ corporate services prices**		-0.8%		Japan	Jul job offers/seekers ratio	0.71	0.71
Aug 27	Japan	Jul BoJ corporate services prices*		-0.1%		Japan	Jul construction orders**		-11.1%
	US	Aug consumer confidence	105.0	107.2		Japan	Jul housing starts**	8%	9.6%
Wed	Japan	Aug BoJ Tankan DI, manufacturing	0.0%	-3%		Japan	Jul construction starts**		15.3%
Aug 28	Japan	Aug BoJ Tankan DI, non-manufact	-4%	-9%		Japan	Jul industrial production†	3.4%	-4.3%
	Japan	1996 Tankan capital spending	6.5%	6%		Japan	Jul shipments†		-3.8%
	France	Jun industrial production†*	0.0%	0.5%		UK	Jul consumer credit	750m	638m
	France	Jun industrial production, ex energy	0.2%	-0.2%		US	Jul personal income	Unch	0.9%
	UK	Jun global visible trade	-£1.4bn	-£985m		US	Jul personal consumer expenditure	0.2%	-0.2%
	UK	Jul ex-EC visible trade	£-0.9bn	£-1.1bn		US	Jul factory orders	0.9%	-0.9%
	Canada	Jul industrial prod price index*		-0.4%		US	Aug agriculture prices		0.8%
	Canada	Jul raw materials price index		-2.6%	During the week...				
Thurs	Japan	Aug wholesale price ind, 2nd 10 days		0.0%		Germany	Jul import prices*	-0.2%	-0.7%
Aug 29	Japan	Jul retail sales**	-2.1%	2%		Germany	Jul import prices**	0.6%	0.2%
	US	Q2 gross domestic product, prelim	4.2%	4.2%		Germany	Jul prod price ind, pan-Germany*	0.0%	-0.2%
	US	Q2 gross dom prod deflator, prelim	2.1%	2.1%		Germany	Jul prod price ind, pan-Germany**	-0.8%	-0.8%
	US	Q2 after-tax corporate profit	4.0%	5.9%		Germany	Aug Bavaria cost of living*	-0.2%	0.4%
	US	Initial claims, week ended Aug 24	330k	327k		Germany	Aug Bavaria cost of living**	1.2%	1.3%
	US	State benefits, week ended Aug 24		2,521k		Germany	Aug prelim cost of living, west*	-0.2%	0.4%
	US	Jul new home sales	725k	734k		Germany	Aug prelim cost of living, west**	1.4%	1.3%
Fri	Japan	Aug consumer price index, Tokyo**	0.4%	0.6%					

*month on month, **year on year, † seasonally adjusted

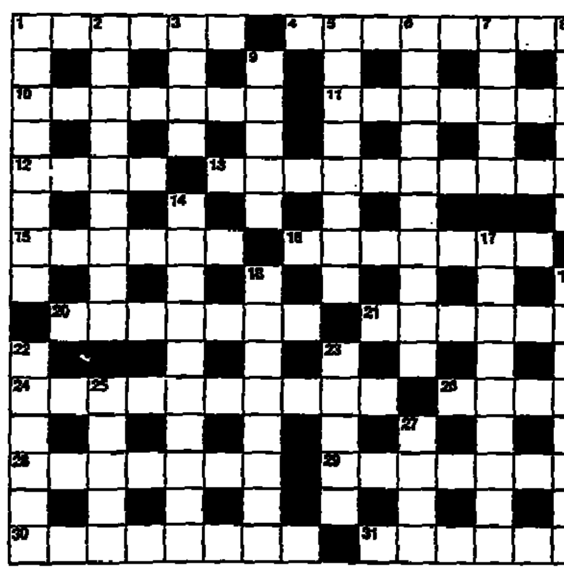
Statistics, courtesy MMS International.

ACROSS

1 Herb delight in holding silver? (6)
4 Console principal directors (8)
10 Theatre for Kismet? (7)
11 Vivid red colour of vehicle-pit (7)
12 Star part chosen by Bassanio (4)
13 Stock line in repository (10)
15 Plaintiff is a man who goes to court (6)
16 Congregate for part of service (7)
20 Capacity of an American bar? (7)
21 Discharge bill and leave (6)
24 Pieces of pear inside sharp cheese (10)
26 Cooler part of West Ireland? (4)
28 Oblivious of a battle in a French environment (7)
29 Vegetable from Spain with chilli starters (7)
30 Rather robust porter is helping, initially (8)
31 Delighted with quarters in forest clearings (6)

DOWN

1 Term reduced in flat (8)
2 Resourceful relatives all over the place (9)
3 Larva found in food, commonly (4)
5 No fast food for the French? (8)
6 Natal, say, is where one arrives (10)
7 Go out, dressed in gold, for so long (5)
8 Dredge out swan on river (6)
9 He appears in "Some Like it Hot" (5)
14 Hyacinth, perhaps, building factory? (10)
17 Jack is one to woo eccentric sort (5-4)
18 People who handle shoes? (8)
19 Reinforces street vaults (8)
22 Watches for talent-spotters (6)
23 Apathetic, being left in camp (5)
25 Muse spilling tear over love? (5)
27 Notice bishop off-colour? (4)



MONDAY PRIZE CROSSWORD

No.9,156 Set by DINMUTZ

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday September 5, marked Monday Crossword 9,156 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday September 9. Please allow 28 days for delivery of prizes.

Name..............................

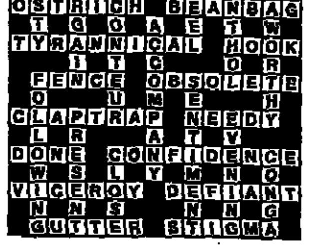
Address..............................

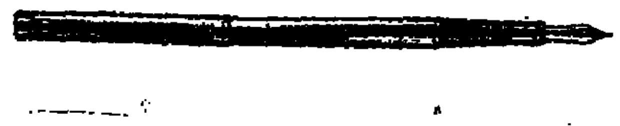
....

Winners 9,144

P. and K. Burns, Gants Hill, Essex
M.N. Henstock, Sutton-in-Ashfield, Notts
B.P.Hill, London W1
H. Hollingsworth, Hitchin, Herts
Dawn Lawrence, Aylsham, Norfolk
Mrs B.A. Marfleet, Thornes, West Yorkshire

Solution 9,144





JOTTER PAD

صكرا من الاجل